

REPORT
OF THE
COMMISSION ON
REVENUE AND TAXATION
—
CALIFORNIA
1910

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REPORT

OF THE

COMMISSION ON REVENUE AND TAXATION

1910.

JAMES N. GILLETT, Governor	- - - - -	Chairman
J. B. CURTIN, State Senator	- - - - -	Commissioner
CARL C. PLEHN	- - - - -	Secretary



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OFFICE OF THE
COMMISSION ON REVENUE AND TAXATION.
2308 Warring Street,
BERKELEY.

September 1, 1910.

*To the Senate and Assembly of the State of California, to convene
January 2, 1911.*

GENTLEMEN:

The Commission commonly called the "State Commission on Revenue and Taxation" has the honor to submit to your honorable body the following report.

JAMES N. GILLETT, Governor,
Chairman.
J. B. CURTIN,
Commissioner.
CARL C. PLEHN,
Secretary.

INTRODUCTION.

History of the Commission.

This commission as originally constituted was created by an act of the legislature of the State of California, entitled:

An act authorizing the governor to appoint an expert in taxation and public finance, to sit as a member of a commission to be composed of himself and a general committee of the senate and assembly of the thirty-sixth session of the legislature of the State of California, of which commission the governor shall be ex officio a member and chairman, to investigate the system of revenue and taxation in force in this state, and to recommend a plan for the revision and reform thereof; to provide for the creation of said commission, and to define its powers, and making an appropriation therefor.

[Approved March 20, 1905.]

The people of the State of California, represented in senate and assembly, do enact as follows:

SECTION 1. If and when the senate and assembly of the thirty-sixth session of the legislature of the State of California shall provide for the appointment, and there shall be appointed pursuant to said provision, a joint committee of said senate and assembly to investigate the system of revenue and taxation in force in this state, and to recommend a plan for the revision and reform thereof, the governor is authorized to appoint an expert in taxation and public finance, to sit with said committee, and with said committee to constitute a commission upon the revision and reform of the system of revenue and taxation in force in this state. The governor shall be ex officio a member of said commission and shall be chairman thereof.

SEC. 2. Said expert shall hold his office at the pleasure of the governor.

SEC. 3. The compensation of said expert shall be fixed by the said commission in an amount not to exceed two hundred and fifty dollars per month.

SEC. 4. Said commission is authorized and empowered to do any and all things necessary to make a full and complete investigation of the matters and things hereinabove enumerated, and to that end to employ all necessary clerical and expert assistance, and that said commission be and it hereby is authorized and empowered to send for persons and papers, and to take all necessary means to procure the attendance of witnesses and testimony; and the members of said commission are, and each of them is, hereby authorized to administer oaths; and that all the provisions of article eight, of chapter two, title one, part three of the Political Code of this state, relative to the "attendance and examination of witnesses before the legislature and committees thereof," shall apply to the commission; and that the sergeant-at-arms of either the senate or the assembly is hereby authorized and directed to serve [any] and all subpoenas and orders or other process that may be issued by the chairman of said commission, when directed to do so by the said chairman.

SEC. 5. The members of said commission, other than the chairman and the member appointed by the governor, shall be paid the sum of ten dollars (\$10.) per diem and their necessary expenses, while actually engaged in the performance of their duties as prescribed in this act.

SEC. 6. There is hereby appropriated out of the general fund, not otherwise appropriated, the sum of ten thousand dollars, or so much thereof as may be necessary, for the purposes of this act.

SEC. 7. This act shall take effect immediately.

As provided in the above act, the legislature of 1905 adopted Assembly Concurrent Resolution No. 21, as follows:

Resolved by the assembly of the State of California, the senate concurring. That a joint committee of the senate and assembly, consisting of four members, be appointed, two by the president of the senate and two by the speaker of the assembly, to examine into and report upon all matters connected with or in any way appertaining to the system of revenue and taxation in this state; and to further report such constitu-

tional and legislative measures as may be deemed necessary to the revision and reform of said system of revenue and taxation.

Resolved, That said joint committee be and it hereby is authorized and empowered to do any and all things necessary to make a full and complete investigation of the matters and things hereinabove enumerated, and to that end to employ all necessary clerical and expert assistants, and that said joint committee be and is hereby authorized and empowered to send for persons and papers, and to take all necessary means to procure the attendance of witnesses and testimony; and the members of said joint committee are, and each of them is, hereby authorized to administer oaths; and that all the provisions of article eight, of chapter two, title one, part three, of the Political Code of this state, relative to the "attendance and examination of witnesses before the legislature and committees thereof," shall apply to the joint committee appointed under this resolution, and that the sergeant-at-arms of either the senate or the assembly is hereby authorized and directed to serve any and all subpœnas and orders or other process that may be issued by the chairman of said joint committee, when directed to do so by the said chairman.

Resolved, That in the event provision is made by law for the existence of a commission for the revision and reform of the system of revenue and taxation in force in this state, of which the aforementioned committee is to be a constituent part, then and in that event, the joint committee aforesaid and the members thereof are authorized to act as, and be an integral part and portion of, said commission.

The president of the senate appointed as members of the commission from the senate, Senators J. B. Curtin and M. L. Ward, and the speaker of the assembly appointed upon the commission from the assembly, Assemblymen H. S. G. McCartney and E. F. Treadwell, and His Excellency George C. Pardee, then governor, appointed Professor Carl C. Plehn, as expert on taxation and public finance as provided for in said act.

Thereafter the commission met and organized, and early in the summer of 1905, began its work of gathering data with a view of reporting to the legislature such changes in the laws of this state relative to revenue and taxation as the result of its labors might suggest. In August, 1906, the commission published a preliminary report of 71 pages, which was submitted to the members of the legislature, and which served the double purpose of announcing the plan of tax reform and of securing criticism. In December, 1906, the commission completed its labors and made its final report to the legislature. This report was printed at the State Printing Office, and comprises 296 pages. The commission was then of a unit in saying that the present system of taxation as provided for in the constitution of the State of California, does not equally distribute the burden of taxation and that the burden can not equally be distributed by *ad valorem* taxation, but that burden could be more equally distributed by separating the revenues of the state and county so that the state would get its revenue from public service and other corporations and the counties their revenue from the remaining property. To that end it proposed a constitutional amendment for the consideration of the legislature at its session in January, 1907, and the amendment thus proposed was acted upon by the legislature and amended in some particulars, which did not affect the structure of the amendment as recommended by the commission, and

the same was submitted for consideration to the voters at the session of the legislature in January, 1907. The amendment as submitted is as follows:

The Amendment Voted on in 1908.

Senate Constitutional Amendment No. 1.—A resolution to propose to the people of the State of California an amendment to the constitution of the State of California providing for the separation of state and local taxation, providing for the taxation of public service and other corporations for the benefit of the state, and to that end amending sections one, nine, ten and eleven of article thirteen and adding to article thirteen two new sections to be numbered sections fourteen and fifteen, and repealing section ten of article eleven thereof, all relating to revenue and taxation.

[Adopted March 9, 1907.]

WHEREAS, It is deemed desirable to ultimately separate the sources of revenue for state purposes from the sources of revenue for county and municipal purposes; now, therefore,

The legislature of the State of California, at its regular session, commencing the seventh day of January, nineteen hundred and seven, two thirds of all the members elected to each of the two houses of said legislature voting in favor thereof, hereby proposes to the qualified electors of the State of California the following amendment to the constitution of the State of California :

First. Sections one, nine, ten and eleven of article thirteen are hereby amended so as to read:

SECTION 1. All property in the state except as otherwise in this constitution provided, not exempt under the laws of the United States, shall be taxed in proportion to its value, to be ascertained as provided by law, or as hereinafter provided. The word "property," as used in this article and section, is hereby declared to include moneys, credits, bonds, stocks, dues, franchises, and all other matters and things, real, personal and mixed, capable of private ownership; *provided*, that property used for free public libraries and free museums, growing crops, property used exclusively for public schools, and such as may belong to the United States, this state, or to any county or municipal corporation within this state shall be exempt from taxation. The legislature may provide, except in the case of credits secured by mortgage or trust deed, for a deduction from credits of debts due to bona fide residents of this state.

SEC. 9. A state board of equalization, consisting of one member from each congressional district in this state, as the same existed in the year eighteen hundred and seventy-nine, shall be elected by the qualified electors of their respective districts, at the general election to be held in the year one thousand nine hundred and ten, and at each gubernatorial election thereafter, whose term of office shall be for four years. The controller of state shall be ex officio a member of the board. Said board shall be the successor of the present state board of equalization whose members shall continue in office until their successors, as herein provided for, shall be elected and shall qualify. The legislature shall have power to redistrict the state into four districts, as nearly equal in population as practical, and to provide for the election of members of said board of equalization. It shall be the duty of said board to assess and levy the taxes provided for in section fourteen of this article and to perform such other duties in relation to taxation as this constitution or the legislature may prescribe. The boards of supervisors of the several counties of the state shall constitute boards of equalization for their respective counties, whose duty it shall be to equalize the valuation of the taxable property in the county for the purposes of taxation. Such county boards of equalization are hereby authorized and empowered, under such rules of notice as they may prescribe, to raise or lower any assessment contained in the assessment roll so as to equalize the assessment of the property contained in said assessment roll, and make the assessment conform to the true value in money of the property contained in said roll. But no board of equalization shall raise any mortgage, deed of trust, contract or other obligation by which a debt is secured, money, or solvent credit, above its face value.

SEC. 10. All property, except as otherwise in this constitution provided, shall be assessed in the county, city, city and county, town, township, or district in which it is situated, in the manner prescribed by law.

SEC. 11. Income taxes may be assessed to and collected from persons, corporations, joint-stock associations, or companies resident or doing business in this state,

except those provided for in subdivisions (a), (b) and (c) of section fourteen of this article, or any one or more of them, in such cases and amounts, and in such manner, as shall be prescribed by law.

Second. There is hereby added to article thirteen two new sections to be numbered fourteen and fifteen and to read as follows:

SEC. 14. Taxes levied, assessed and collected as hereinafter provided upon railroads, including street railways, whether operated in one or more counties; sleeping car, dining car, drawing-room car and palace car companies, refrigerator, oil, stock, fruit, and other car-loaning and other car companies operating upon railroads in this state; every company doing express business on any railroad, steamboat, vessel or stage line in this state; telegraph companies, telephone companies; companies engaged in the transmission or sale of gas or electricity; insurance companies, banks, banking associations, savings and loan societies, and trust companies; and taxes upon all franchises of every kind and nature, shall be entirely and exclusively for state purposes, and shall be levied, assessed and collected in the manner hereinafter provided. The word "companies" as used in this section shall include persons, partnerships, joint-stock associations, companies, and corporations. All property, not exempt from taxation, except those classes of property enumerated in this section, shall be subject to assessment and taxation, in the manner provided by law, for county, city and county, city, town, township, and district purposes; *provided*, that until the year 1914 the state shall reimburse San Bernardino, Placer and Yuba counties for the net loss in county revenues occasioned by the withdrawal of railroad property from county taxation.

(a) All railroad companies, including street railways, whether operated in one or more counties; all sleeping car, dining car, drawing-room car, and palace car companies, all refrigerator, oil, stock, fruit and other car-loaning and other car companies, operating upon the railroads of this state; all companies doing express business on any railroad, steamboat, vessel or stage line in this state; all telegraph and telephone companies; and all companies engaged in the transmission or sale of gas or electricity shall annually pay to the state a tax upon their franchises, roadways, roadbeds, rails, rolling stock, poles, wires, pipes, canals, conduits, rights of way, and other property used in the operation of their business in this state, computed as follows: Said tax shall be equal to the percentages hereinafter fixed upon the gross receipts from operation of such companies and each thereof within this state. When such companies are operating partly within and partly without this state, the gross receipts within this state shall be deemed to be all receipts on business beginning and ending within this state, and a proportion, based upon the proportion of the mileage within this state to the entire mileage over which such business is done, of receipts on all business passing through, into, or out of this state. Such taxes shall be in lieu of all other taxes and licenses, state, county, and municipal, upon the property above enumerated of such companies; *provided*, that nothing herein shall be construed to release any such company from the payment of any amount agreed to be paid or required by law to be paid for any special privilege or franchise granted by the municipal authorities of this state.

The percentages above mentioned shall be as follows: On all railroad companies, including street railways, four per cent; on all sleeping car, dining car, drawing-room car, palace car companies, refrigerator, oil, stock, fruit and other car-loaning and other car companies, three per cent; on all companies doing express business on any railroad, steamboat, vessel or stage line, two per cent; on all telegraph and telephone companies, three and one half per cent; on all companies engaged in the transmission or sale of gas or electricity, four per cent.

(b) Every insurance company or association doing business in this state shall annually pay to the state a tax of one and one half per cent upon the amount of the gross premiums received upon its business done in this state, less return premiums and reinsurance in companies or associations authorized to do business in this state; *provided*, that there shall be deducted from said one and one half per cent upon the gross premiums the amount of any county and municipal taxes paid by such companies on real estate owned by them in this state. This tax shall be in lieu of all other taxes and licenses, state, county and municipal, upon the property of such companies, except county and municipal taxes on real estate; *provided*, that when by the laws of any other state or country, any taxes, fines, penalties, licenses, fees, deposits of money, or of securities, or other obligations or prohibitions, are imposed on insurance companies of this state, doing business in such other state or country, or upon their agents therein, in excess of such taxes, fines, penalties, licenses, fees, deposits of securities, or other obligations or prohibitions, imposed upon insurance companies of such other state or country, so long as such laws continue in force, the

same obligations and prohibitions of whatsoever kind may be imposed by the legislature upon insurance companies of such other state or country doing business in this state.

(c) The shares of the capital stock of all banks, organized under the laws of this state, or of the United States, or of any other state and located in this state, shall be assessed and taxed to the owners or holders thereof by the state board of equalization in the manner to be prescribed by law, in the city or town where the bank is located and not elsewhere. There shall be levied and assessed upon such shares of capital stock an annual tax, payable to the state, of one per centum upon the value thereof. The value of each share of stock in each bank, except such as are in liquidation, shall be taken to be the amount paid in thereon, together with its pro rata of the accumulated surplus and undivided profits. The value of each share of stock in each bank which is in liquidation shall be taken to be its pro rata of the actual assets of such bank. This tax shall be in lieu of all other taxes and licenses, state, county and municipal, upon such shares of stock and upon the property of such banks, except taxes on real estate. In determining the value of the capital stock of any bank there shall be deducted from the value, as defined above, the value, as assessed for county taxes, of any real estate other than mortgage interests therein, owned by such bank and taxed for county purposes. The banks shall be liable to the state for this tax and the same shall be paid to the state by them on behalf of the stockholders in the manner and at the time prescribed by law, and they shall have a lien upon the shares of stock and upon any dividends declared thereon to secure the amount so paid.

The moneyed capital, reserve, surplus, undivided profits and all other property belonging to unincorporated banks or bankers of this state, or held by any bank located in this state which has no shares of capital stock, or employed in this state by any branches, agencies or other representatives of any banks doing business outside of the State of California, shall be likewise assessed and taxed to such banks or bankers by the said board of equalization, in the manner to be provided by law, and taxed at the same rate that is levied upon the shares of stock of incorporated banks, as provided in the first paragraph of this subdivision. The value of said property shall be determined by taking the entire property invested in such business together with all the reserve, surplus and undivided profits, including the good will of the business, at their full cash value, and deducting therefrom the value as assessed for county taxes of any real estate other than mortgage interests therein, owned by such bank and taxed for county purposes. Such taxes shall be in lieu of all other taxes and licenses, state, county and municipal, upon the property of the banks and bankers mentioned in this paragraph, except taxes on real estate. It is the intention of this paragraph that all moneyed capital and property of the banks and bankers mentioned in this paragraph shall be assessed and taxed at the same rate as an incorporated bank, provided for in the first paragraph of this subdivision. In determining the value of the moneyed capital and property of the banks and bankers mentioned in this subdivision, the said state board of equalization shall include and assess to such banks all property and everything of value owned or held by them, which would go to make up the value of the capital stock of such banks and bankers, if the same were incorporated and had shares of capital stock.

The word "banks" as used in this subdivision shall include banking associations, savings and loan societies and trust companies.

(d) Every corporation incorporated under the laws of this state, excepting the corporations mentioned in the preceding subdivisions of this section, and excepting all educational, religious and charitable corporations and all corporations which are not organized for pecuniary profit, shall pay an annual tax to the state upon its franchise to be a corporation, and every corporation incorporated elsewhere and doing business in this state, other than the corporations mentioned in the preceding subdivisions of this section, shall pay an annual tax to the state upon its right to do business in this state, as follows: when the authorized capital stock of the corporation does not exceed ten thousand dollars (\$10,000) the tax shall be ten dollars (\$10.00); when the authorized capital stock exceeds ten thousand dollars (\$10,000) but does not exceed twenty thousand dollars (\$20,000) the tax shall be fifteen dollars (\$15.00); when the authorized capital stock exceeds twenty thousand dollars (\$20,000) but does not exceed fifty thousand dollars (\$50,000) the tax shall be twenty dollars (\$20.00); when the authorized capital stock exceeds fifty thousand dollars (\$50,000) but does not exceed one hundred thousand dollars (\$100,000) the tax shall be twenty-five dollars (\$25.00); when the authorized capital stock exceeds one hundred thousand dollars (\$100,000) but does not exceed two hundred and fifty thousand dollars (\$250,000) the tax shall be fifty dollars (\$50.00); when the authorized capital stock

exceeds two hundred and fifty thousand dollars (\$250,000) but does not exceed five hundred thousand dollars (\$500,000) the tax shall be seventy-five dollars (\$75.00); when the authorized capital stock exceeds five hundred thousand dollars (\$500,000) but does not exceed two million dollars (\$2,000,000) the tax shall be one hundred dollars (\$100.00); when the authorized capital stock exceeds two million dollars (\$2,000,000) but does not exceed five million dollars (\$5,000,000) the tax shall be two hundred dollars (\$200.00); when the authorized capital stock exceeds five million dollars (\$5,000,000) the tax shall be two hundred and fifty dollars (\$250.00).

(e) All franchises other than those expressly provided for in this section, shall be assessed by the state board of equalization at their actual value, and shall be taxed at the rate of one per centum thereon each year, and the taxes collected thereon shall be exclusively for the benefit of the state.

(f) All the provisions of this section shall be self-executing, but the legislature may pass all laws necessary to carry this section into effect. The taxes herein provided for shall be levied and assessed on the first Monday in March of each year after the adoption of this amendment and shall become due and payable on the first Monday in June thereafter. The gross earnings and gross premiums herein mentioned shall be computed for the year ending the thirty-first day of December prior to the levy of such taxes and the value of any property mentioned herein shall be fixed as of the date of said levy. Nothing herein contained shall affect any tax levied or assessed prior to the adoption of this section and all laws in relation to such taxes in force at the time of the adoption of this section shall remain in force until changed by the legislature.

SEC. 15. No suit, action, or proceeding shall ever be maintained in any court against this state, or against any officer thereof, to have any tax, levied under the provisions of this article, declared invalid or to prevent or enjoin the collection thereof until such tax has been actually paid; but after such payment, action may be maintained to recover any tax illegally collected in such manner and within such time as may now or hereafter be provided by law.

Third. Section ten of article eleven of said constitution is hereby repealed.

Upon this amendment there were cast 202,081 votes, of which 87,977 were in favor of the adoption and 114,104 against it. Although the subject is an intricate one and one which the ordinary voter does not readily understand, yet the defects in the present existing system were so apparent and injustice so often done to the taxpayer that there has been a general demand for the revision of the revenue laws of this state. This amendment occupied the public attention to a considerable extent shortly prior to the election in November, 1908, and three defects were pointed out and were the controlling factors in the defeat of the amendment. Those defects were:

First—Under the amendment, if the revenues of the state to be derived from the operation of the new system were insufficient, there would be no way of meeting the deficit without again amending the constitution, and therefore the amendment was deemed too inflexible.

Second—Its provisions were held not to be clear as to whether or not public service corporations were exempt from paying their share of past bonded indebtedness, and as many counties in the state had incurred a bonded indebtedness and did so upon the faith that all the property then in the counties and cities, respectively, would be subject to taxation for its fair share of that indebtedness, to relieve those public service corporations of that indebtedness would, it was thought, shift too great a burden upon the remaining property.

Third—That if a deficiency *ad valorem* tax should ever be necessary

the corporations taxed for state purposes would not be required to pay any portion of this deficiency but it would fall on the remaining property taxed for county purposes and this was deemed unfair and regarded as an objection to the amendment.

Fourth—That no provision was made in that amendment for changing any of the rates should it be found that the rates were inadequate or in any manner unfair, and for that reason the amendment was too inflexible.

Other minor defects were suggested, but they were not of controlling importance and the commission believed they had but little influence in molding public sentiment as to the merits or demerits of this amendment and were unanimous in the opinion that the matter should be again submitted to the legislature, and therefore proposed another amendment which obviated all the objections that were raised to the former amendment. This amendment was very carefully considered by the legislature and was adopted and is known as Senate Constitutional Amendment No. 1, and is as follows:

The Amendment to be Voted on in November, 1910.

Senate Constitutional Amendment No. 1.—A resolution to propose to the people of the State of California an amendment to the constitution of the State of California providing for the separation of state and local taxation, providing for the taxation of public service and other corporations for the benefit of the state, and to that end adding to article thirteen a new section to be numbered section fourteen, amending section ten of article thirteen, and repealing section ten of article eleven thereof, all relating to revenue and taxation.

[Adopted March 19, 1909.]

WHEREAS, It is deemed desirable to separate the sources of revenue for state purposes from the sources of revenue for county and municipal purposes; now, therefore,

The legislature of the State of California, at its regular session, commencing on the fourth day of January, nineteen hundred and nine, two thirds of all the members elected to each of the two houses of said legislature voting in favor thereof, hereby proposes to the qualified electors of the State of California the following amendment to the constitution of the State of California:

First. There is hereby added to article thirteen a new section to be numbered fourteen and to read as follows:

Section 14. Taxes levied, assessed and collected as hereinafter provided upon railroads, including street railways, whether operated in one or more counties; sleeping car, dining car, drawing-room car and palace car companies, refrigerator, oil, stock, fruit, and other car loaning and other car companies operating upon railroads in this state; companies doing express business on any railroad, steamboat, vessel or stage line in this state; telegraph companies; telephone companies; companies engaged in the transmission or sale of gas or electricity; insurance companies; banks, banking associations, savings and loan societies, and trust companies; and taxes upon all franchises of every kind and nature, shall be entirely and exclusively for state purposes, and shall be levied, assessed and collected in the manner hereinafter provided. The word "companies" as used in this section shall include persons, partnerships, joint-stock associations, companies, and corporations.

(a) All railroad companies, including street railways, whether operated in one or more counties; all sleeping car, dining car, drawing-room car, and palace car companies, all refrigerator, oil, stock, fruit, and other car-loaning and other car companies, operating upon the railroads in this state; all companies doing express business on any railroad, steamboat, vessel or stage line in this state; all telegraph and telephone companies; and all companies engaged in the transmission or sale of gas or electricity shall annually pay to the state a tax upon their franchises, roadways,

roadbeds, rails, rolling stock, poles, wires, pipes, canals, conduits, rights of way, and other property, or any part thereof, used exclusively in the operation of their business in this state, computed as follows: Said tax shall be equal to the percentages hereinafter fixed upon the gross receipts from operation of such companies and each thereof within this state. When such companies are operating partly within and partly without this state, the gross receipts within this state shall be deemed to be all receipts on business beginning and ending within this state, and a proportion, based upon the proportion of the mileage within this state to the entire mileage over which such business is done, of receipts on all business passing through, into, or out of this state.

The percentages above mentioned shall be as follows: On all railroad companies, including street railways, four per cent; on all sleeping car, dining car, drawing-room car, palace car companies, refrigerator, oil, stock, fruit and other car-loaning and other car companies, three per cent; on all companies doing express business on any railroad, steamboat, vessel or stage line, two per cent; on all telegraph and telephone companies, three and one half per cent; on all companies engaged in the transmission or sale of gas or electricity, four per cent. Such taxes shall be in lieu of all other taxes and licenses, state, county and municipal, upon the property above enumerated of such companies except as otherwise in this section provided; *provided*, that nothing herein shall be construed to release any such company from the payment of any amount agreed to be paid or required by law to be paid for any special privilege or franchise granted by any of the municipal authorities of this state.

(b) Every insurance company or association doing business in this state shall annually pay to the state a tax of one and one half per cent upon the amount of the gross premiums received upon its business done in this state, less return premiums and reinsurance in companies or associations authorized to do business in this state; *provided*, that there shall be deducted from said one and one half per cent upon the gross premiums the amount of any county and municipal taxes paid by such companies on real estate owned by them in this state. This tax shall be in lieu of all other taxes and licenses, state, county and municipal, upon the property of such companies, except county and municipal taxes on real estate, and except as otherwise in this section provided; *provided*, that when by the laws of any other state or country, any taxes, fines, penalties, licenses, fees, deposits of money, or of securities, or other obligations or prohibitions, are imposed on insurance companies of this state, doing business in such other state or country, or upon their agents therein, in excess of such taxes, fines, penalties, licenses, fees, deposits of money, or of securities, or other obligations or prohibitions, imposed upon insurance companies of such other state or country, so long as such laws continue in force, the same obligations and prohibitions of whatsoever kind may be imposed by the legislature upon insurance companies of such other state or country doing business in this state.

(c) The shares of capital stock of all banks, organized under the laws of this state, or of the United States, or of any other state and located in this state, shall be assessed and taxed to the owners or holders thereof by the state board of equalization in the manner to be prescribed by law, in the city or town where the bank is located and not elsewhere. There shall be levied and assessed upon such shares of capital stock an annual tax, payable to the state, of six tenths of one per centum upon the value thereof. The value of each share of stock in each bank, except such as are in liquidation, shall be taken to be the amount paid in thereon, together with its pro rata of the accumulated surplus and undivided profits. The value of each share of stock in each bank which is in liquidation shall be taken to be its pro rata of the actual assets of such bank. This tax shall be in lieu of all other taxes and licenses, state, county and municipal, upon such shares of stock and upon the property of such banks, except county and municipal taxes on real estate and except as otherwise in this section provided. In determining the value of the capital stock of any bank there shall be deducted from the value, as defined above, the value, as assessed for county taxes, of any real estate other than mortgage interests therein, owned by such bank and taxed for county purposes. The banks shall be liable to the state for this tax and the same shall be paid to the state by them on behalf of the stockholders in the manner and at the time prescribed by law, and they shall have a lien upon the shares of stock and upon any dividends declared thereon to secure the amount so paid.

The moneyed capital, reserve, surplus, undivided profits and all other property belonging to unincorporated banks or bankers of this state, or held by any bank located in this state which has no shares of capital stock, or employed in this state by any branches, agencies, or other representatives of any banks doing business outside of the State of California, shall be likewise assessed and taxed to such banks or

bankers by the said board of equalization, in the manner to be provided by law, and taxed at the same rate that is levied upon the shares of capital stock of incorporated banks, as provided in the first paragraph of this subdivision. The value of said property shall be determined by taking the entire property invested in such business together with all the reserve, surplus, and undivided profits, at their full cash value, and deducting therefrom the value as assessed for county taxes of any real estate other than mortgage interests therein, owned by such bank and taxed for county purposes. Such taxes shall be in lieu of all other taxes and licenses, state, county and municipal, upon the property of the banks and bankers mentioned in this paragraph, except county and municipal taxes on real estate and except as otherwise in this section provided. It is the intention of this paragraph that all moneyed capital and property of the banks and bankers mentioned in this paragraph shall be assessed and taxed at the same rate as an incorporated bank, provided for in the first paragraph of this subdivision. In determining the value of the moneyed capital and property of the banks and bankers mentioned in this subdivision, the said state board of equalization shall include and assess to such banks all property and everything of value owned or held by them, which go to make up the value of the capital stock of such banks and bankers, if the same were incorporated and had shares of capital stock.

The word "banks" as used in this subdivision shall include banking associations, savings and loan societies and trust companies, but shall not include building and loan associations.

(d) All franchises, other than those expressly provided for in this section, shall be assessed at their actual cash value, in the manner to be provided by law, and shall be taxed at the rate of one per centum each year, and the taxes collected thereon shall be exclusively for the benefit of the state.

(e) Out of the revenues from the taxes provided for in this section, together with all other state revenues, there shall be first set apart the moneys to be applied by the state to the support of the public school system and the state university. In the event that the above named revenues are at any time deemed insufficient to meet the annual expenditures of the state including the above named expenditures for educational purposes, there may be levied, in the manner to be provided by law, a tax, for state purposes, on all the property in the state including the classes of property enumerated in this section, sufficient to meet the deficiency. All property enumerated in subdivisions *a*, *b*, and *d* of this section shall be subject to taxation, in the manner provided by law, to pay the principal and interest of any bonded indebtedness created and outstanding by any city, city and county, county, town, township or district, before the adoption of this section, the taxes so paid for principal and interest on such bonded indebtedness shall be deducted from the total amount paid in taxes for state purposes.

(f) All the provisions of this section shall be self-executing, and the legislature shall pass all laws necessary to carry this section into effect, and shall provide for a valuation and assessment of the property enumerated in this section, and shall prescribe the duties of the state board of equalization and any other officers in connection with the administration thereof. The rates of taxation fixed in this section shall remain in force until changed by the legislature, three fourths of all the members elected to each of the two houses voting in favor thereof. The taxes herein provided for shall become a lien on the first Monday in March of each year after the adoption of this section and shall become due and payable on the first Monday in July thereafter. The gross receipts and gross premiums herein mentioned shall be computed for the thirty-first day of December prior to the levy of such taxes and the value of any property mentioned herein shall be fixed as of the first Monday in March. Nothing herein contained shall affect any tax levied or assessed prior to the adoption of this section and all laws in relation to such taxes in force at the time of the adoption of this section shall remain in force until changed by the legislature. Until the year 1918 the state shall reimburse San Bernardino and Placer counties for the net loss in county revenue occasioned by the withdrawal of railroad property from county taxation. The legislature shall provide for reimbursement from the general funds of any county to districts therein where loss is occasioned in such districts by the withdrawal from local taxation of property taxed for state purposes only.

(g) No injunction shall ever issue in any suit, action or proceeding in any court against this state or against any officer thereof to prevent or enjoin the collection of any tax levied under the provisions of this section until such tax has been actually paid; but after such payment action may be maintained to recover any tax illegally collected in such manner, and at such time as may now or hereafter be provided by law.

Second. Section ten of article thirteen of said constitution is hereby amended to read as follows:

Section 10. All property, except as otherwise in this constitution provided, shall be assessed in the county, city, city and county, town or township, or district in which it is situated, in the manner prescribed by law.

Third. Section ten of article eleven of said constitution is hereby repealed.

The reorganization of the commission.

The governor of this state, who is chairman of the commission, believed it advisable that, as the main work of the commission had been completed, and as it was only necessary to show the effect of the proposed amendment in its operation, the commission should be reduced in number, and therefore recommended that the act creating the commission be amended by providing for the appointment of only one commissioner. The legislature, therefore, amended that act by an act approved March 25, 1909, as follows:

An act to provide for the appointment of a commission to carry out the work mentioned and provided for in an act entitled "An act authorizing the governor to appoint an expert in taxation and public finance, to sit as a member of a commission to be composed of himself and a general committee of the senate and assembly of the thirty-sixth session of the legislature of the State of California, of which commission the governor shall be ex officio a member and chairman, to investigate the system of revenue and taxation in force in this state and to recommend a plan for the revision and reform thereof; to provide for the creation of said commission and to define its powers and making an appropriation therefor," approved March 20, 1905, and making an appropriation therefor.

[Approved March 25, 1909.]

The people of the State of California, represented in senate and assembly, do enact as follows:

SECTION 1. The governor of this state is hereby authorized and empowered to appoint one person versed in matters relating to taxation, and a secretary, who shall be an expert on the science of finance and taxation, to carry on the work provided for in an act of the legislature of the State of California entitled "An act authorizing the governor to appoint an expert in taxation and public finance, to sit as a member of a commission to be composed of himself and a general committee of the senate and assembly of the thirty-sixth session of the legislature of the State of California, of which commission the governor shall be ex officio a member and chairman, to investigate the system of revenue and taxation in force in this state, and to recommend a plan for the revision and reform thereof; to provide for the creation of said commission and to define its powers and making an appropriation therefor," approved March 20, 1905, and the persons so appointed shall carry on the work mentioned in this section and shall constitute said commission and the governor shall be ex officio chairman thereof.

SEC. 2. The sum of five thousand dollars or so much thereof as may be necessary is hereby appropriated out of any moneys in the state treasury not otherwise appropriated for the purpose of carrying on the work mentioned and provided for in this act; said money shall be expended and used for the purpose of paying the necessary expenses of the members of said commission while engaged in the performance of their duties, and for the salary of the expert herein mentioned, and for all necessary clerical, printing and other expenses connected with the work of carrying out the provisions of this act. The claims for each shall be audited and approved by the board of examiners, in the manner provided by law, and when so approved, the state controller is authorized to draw his warrant therefor, and the treasurer is directed to pay the same.

SEC. 3. This act shall take effect immediately.

In pursuance of the above act the governor on June 8, 1910, appointed Senator J. B. Curtin, commissioner, and, subsequently, appointed Professor Carl C. Plehn, secretary, to carry out the work provided for in the last mentioned act of the legislature.

The commission thereupon set to work and has carried on the work ever since in the compilation of the data to illustrate how, if the amendment had been in force during the year 1909, it would have affected the revenue of each county in this state, and to ascertain whether the state would obtain revenue sufficient for its maintenance if the amendment had been in force during the year 1909.

SECTION I.

ANALYSIS OF THE PROVISIONS OF THE AMENDMENT.

As the preamble states, the amendment opens the way for a separation of state from local taxation. To this end it adds a new section to article XIII of the constitution, which article is the one dealing with revenue and taxation. It leaves the old sections unchanged, except in so far as they are modified by the provisions of the new section. Section 10 of article XI, a section in the article relating to counties, cities and towns, is repealed because it prohibits separation.

The amendment provides that certain taxes on the property of certain classes of companies, as named and described below, shall be exclusively for state purposes. It leaves the old system of *ad valorem* taxation on property in general, other than that of the classes named, for the use of the counties, cities, school and other districts. The term "companies" is defined to include persons, partnerships, joint-stock associations, companies and corporations.

The taxes reserved for the state are:

(1) On the operative property of railroad companies, including street railways, at the rate of four per cent of their gross receipts annually.

(2) On the property of sleeping car, refrigerator car, and all other car companies, at the rate of three per cent of their gross profits annually.

(3) On the property of express companies at the rate of two per cent of their gross receipts annually.

(4) On the property of telegraph and telephone companies at the rate of three and one half per cent of their gross receipts annually.

(5) On the operative property of all light, heat and power companies at the rate of four per cent of their gross receipts annually.

All the non-operative property of the above corporations is left subject to local taxation.

Street car companies must pay, as now, the two per cent of their gross receipts to the cities under the Broughton act for the enjoyment of their franchises in the public streets, and this is in addition to the four per cent paid to the state.

(6) Insurance companies are to pay one and one half per cent of their gross premiums. The real estate of insurance companies is to be taxed locally as now.

(7) Banks are to pay six tenths of one per cent on their capital stock, surplus and undivided profits, but there is to be deducted from the

capital stock the assessed value of their real estate, which will be taxed locally as now.

(8) All franchises other than those included in the property taxed as above are to be valued and taxed at the rate of one per cent *ad valorem*.

The rates of taxation set down in the amendment can be changed only by a three fourths vote of the legislature.

The gross receipts upon which the taxes are to be computed are defined in accordance with the law that has been in force in Minnesota for over half a century and which is supported by numerous decisions of the supreme court of the United States and of the state courts.

The state board of equalization is made the board of assessment for banks. But it is left to the legislature to determine who shall administer the other taxes.

The amendment makes it obligatory on the legislature to continue the present contributions from the state funds for the common schools and other educational purposes. It provides that the property of the classes mentioned shall be subject as heretofore to taxation to meet the interest and principal of outstanding bonded indebtedness of the cities, counties, school districts, etc., where such property is located.

It provides further that in case the state revenues from the taxes named are not sufficient to meet the state's needs there may be a state *ad valorem* tax on all property including property of the classes named.

To tide over the period of change and readjustment, two counties, San Bernardino and Placer, are, until the year 1918, to be reimbursed by the state for what they lose in railroad taxes, and any districts which may suffer by the sudden change are to be aided from the county general funds.

The legislature is required to pass the laws necessary to carry the new system into effect.

In explanation of the above rates it may be stated that they are fixed on the theory that these proportions of the gross receipts will in each case equal the average burden of taxation on other classes of property. The method of arriving at the different rates is explained in detail in the 1906 report of this commission.

SECTION II.

THE FINDINGS.

The method of collecting the data.

Beginning in June, 1909, the commission entered into correspondence with every one of the assessors in the state with a view to obtaining from the assessment rolls the data necessary for determining how the new plan of taxation would work. Owing, however, to the fact that many of the assessors did not have a comprehensive understanding of what the new plan involved and owing further to the fact that on the rolls of none of the counties are the segregations made as contemplated in the amendment, it was found impractical to secure the necessary information by correspondence. It, therefore, became necessary to send an agent into the field to visit the county seats and secure the needed data. The agent went through the indexes to the assessment rolls and took off the name of every corporation of the classes affected by the amendment. He then took from the assessment rolls the valuations assessed against each company and all the taxes paid thereon. This affords the basis for the computation of the effect of the amendment on each county. In a few counties not visited by the agent the data was furnished by the assessor and in every case certified to by him as correct and complete.

The commission then wrote to each of the corporations of the classes affected whose names had been found on the assessment rolls, and obtained from them a statement of their gross receipts for the year 1909. The gross receipts of the railroads assessed by the state board of equalization were obtained from the sworn reports on file with that board and of the accuracy of which that board had satisfied itself. In other cases they were obtained over the signature of the responsible officers of the companies and verified in many cases by reference to the printed reports to stockholders, etc., by reference to the reports to the interstate commerce commission, to the bank commissioner, to the insurance commissioner, by the returns of the United States census and by every other source of information to which the commission had access. The commission is satisfied that the returns are correct and that the computations based thereon are reliable. In some few cases companies were inclined to be recalcitrant and to refuse the information, but a sharp letter citing the plenary powers with which the commission is vested invariably brought forth the information required.

To give some idea of the immense amount of work involved it may

be stated that the data taken from the assessment rolls covers some five hundred sheets 14 by 17 inches, with thousands of entries, and that over three thousand letters were written to the different companies, etc., for information. It may be added that this is the third time this herculean task has been undertaken by the commission.

The effect on each of the counties; how computed.

If complete separation of state from local taxation is attained under the amendment there will be no state tax on property subject to local taxation. This is the gross gain to the counties or rather to the taxpayers therein. But as the property of the companies that are to be taxed for state purposes is withdrawn from local taxation the remaining property will have to make good the amount of taxes formerly paid thereon in order to raise the same amount of money for local purposes. The difference between these two is the net gain, or loss, to the county. To make this clear the following example is cited. In Alameda county the companies pay to the county, school districts and so on, \$151,154.81. Deducting that from the \$704,858.34 which property owners other than those of the companies named in the amendment pay in state taxes, and which they would save under the amendment, leaves \$553,703.53 net gain. In other words that county can raise the same amount of money for all local purposes with an average tax rate 28.6 cents less than was imposed in 1909.

The three following tables show the computations for 1905, 1908 and 1909. In 1908 the attempt was made to collect the data for the year in which the amendment was to be voted on. But the assessment is not completed until after the first of September and the time between that date and the election in November was extremely short for the large amount of work involved. In fact, the tabulation was not printed until within a very short time before the election. Too short, in fact, to have it properly placed before the voters. This undoubtedly contributed to the defeat of the amendment in that year, as many voted "no" simply for lack of information. This also explains why in three counties the information was incomplete for that year.

TABLE I.

Showing the Gain (or Loss) to each County by Separation in 1905. State Tax Rate
49 Cents.

COUNTY.	Net gain or loss of county.	Gain or loss in tax rate of county.
Alameda	\$211,614 97	20.58 cents
Alpine	2,295 09	49.00 cents
Amador	17,245 21	34.63 cents
Butte	42,271 26	27.90 cents
Calaveras	20,358 57	35.50 cents
Colusa	47,332 18	40.91 cents
Contra Costa	67,361 22	34.75 cents
Del Norte	15,196 22	47.73 cents
El Dorado	7,207 93	16.86 cents
Fresno	108,051 85	31.46 cents
Glenn	35,381 69	36.18 cents
Humboldt	95,934 86	40.94 cents
Inyo	8,538 85	35.22 cents
Kern	32,320 77	16.21 cents
Kings	23,258 01	31.14 cents
Lake	15,378 54	46.71 cents
Lassen	22,059 03	41.23 cents
Los Angeles	617,269 09	29.69 cents
Madera	4,890 68	7.986 cents
Marin	44,228 29	34.61 cents
Mariposa	3,280 34	16.83 cents
Mendocino	44,339 45	38.32 cents
Mered	31,037 98	23.83 cents
Modoc	20,657 06	47.12 cents
Mono	3,891 33	34.15 cents
Monterey	45,913 87	27.16 cents
Napa	50,113 63	39.14 cents
Nevada	6,351 99	10.13 cents
Orange	41,482 35	31.46 cents
Placer	10,620 59*	14.80* cents
Placer	10,620 59*	14.86* cents
Riverside	13,747 57	10.82 cents
Sacramento	75,029 05	22.37 cents
San Benito	24,032 06	39.41 cents
San Bernardino	62,827 77*	46.13* cents
San Diego	33,238 19	16.81 cents
San Francisco	1,615,035 36	34.60 cents
San Joaquin	97,718 95	29.89 cents
San Luis Obispo	39,843 52	30.72 cents
San Mateo	72,959 23	41.50 cents
Santa Barbara	48,770 45	28.52 cents
Santa Clara	225,548 87	41.67 cents
Santa Cruz	33,643 69	27.97 cents
Shasta	13,464 21	13.76 cents
Sierra	5,153 03	26.50 cents
Siskiyou	1,667 27	2.356 cents
Solano	66,110 38	37.59 cents
Sonoma	92,952 46	32.38 cents
Stanislaus	29,810 63	24.15 cents
Sutter	21,862 86	36.93 cents
Tehama	33,553 22	30.67 cents
Trinity	10,132 18	45.37 cents
Tulare	32,409 38	21.30 cents
Tuolumne	22,983 14	33.50 cents
Ventura	698 84*	0.7* cents
Yolo	56,136 36	37.02 cents
Yuba	10,137 70*	20.54* cents
Totals	\$4,285,118 01	29.75 cents

*Loss.

TABLE II.

Showing Gain (or Loss) to each County by Separation in 1908. State Tax Rate 40 Cents.

COUNTY.	Net gain or loss of county.	Gain or loss in tax rate of county.
Alameda	\$498,130 38	29.10 cents
Alpine	2,010 32	40.00 cents
Amador	6,570 06	13.60 cents
Butte	24,813 81	13.95 cents
Calaveras	15,643 02	26.70 cents
Colusa	36,189 05	30.10 cents
Contra Costa	75,000 00†	30.00 cents
Del Norte	14,934 83	38.91 cents
El Dorado	6,020 70	12.20 cents
Fresno	85,065 61	19.70 cents
Glenn	14,051 80	13.40 cents
Humboldt	82,502 28	31.15 cents
Inyo	11,047 04	30.40 cents
Kern	147 55	00.00 cents
Kings	20,358 01	23.00 cents
Lake	14,637 58	39.80 cents
Lassen	16,161 77	27.40 cents
Los Angeles	69,229 72	22.16 cents
Madera	5,161 67*	7.16 cents
Marin	43,235 11	26.37 cents
Mariposa	4,084 81	18.78 cents
Mendocino	37,356 52	27.89 cents
Merced	6,102 92	4.24 cents
Modoc	20,003 98	38.67 cents
Mono	3,453 14	27.32 cents
Monterey	31,357 14	15.83 cents
Napa	37,781 96	26.70 cents
Nevada	11,628 93	18.00 cents
Orange	24,661 60	14.60 cents
Placer	25,083 10	35.40 cents
Plumas	14,246 22	27.40 cents
Riverside	4,173 35*	2.48 cents
Sacramento	118,138 26	23.18 cents
San Benito	17,472 43	26.88 cents
San Bernardino	50,000 00†	29.00 cents
San Diego	60,917 84	21.41 cents
San Francisco	712,040 40	17.80 cents
San Joaquin	61,821 31	16.91 cents
San Luis Obispo	27,256 46	18.47 cents
San Mateo	79,892 34	22.55 cents
Santa Barbara	36,310 34	13.57 cents
Santa Clara	190,987 48	32.12 cents
Santa Cruz	27,563 49	18.11 cents
Shasta	5,234 57*	4.26 cents
Sierra	3,023 79	14.50 cents
Siskiyou	6,187 43	4.66 cents
Solano	46,692 73	24.90 cents
Sonoma	70,699 78	22.40 cents
Stanislaus	20,236 51	14.48 cents
Sutter	9,793 49	15.60 cents
Tehama	13,361 88	12.19 cents
Trinity	10,434 23	37.14 cents
Tulare	14,892 78	7.18 cents
Tuolumne	12,902 18	19.30 cents
Ventura	†	
Yolo	43,063 96	26.75 cents
Yuba	14,941 04	25.60 cents
Totals	\$3,089,597 75	18.16 cents

*Loss.

†Returns lacking, estimated.

‡No returns.

NOTE.—The amendment of 1908 allowed San Bernardino, Placer, and Yuba counties a reimbursement for a term of years of the taxes lost to them on railroad property. This turned an apparent loss into a gain as above shown.

TABLE III.

Showing the Gain (or Loss) to each County by Separation in 1909.

COUNTY.	Net gain or loss of county.	Gain or loss in tax rate.
Alameda	\$553,703 53	28.6 cents
Alpine	1,248 33*	33.3 cents
Amador	8,490 47	17.6 cents
Butte	8,945 34*	5.04 cents
Calaveras	9,666 06	35.5 cents
Colusa	28,656 29	23.9 cents
Contra Costa	40,441 87	14.4 cents
Del Norte	14,368 45	36.3 cents
El Dorado	4,318 16	8.7 cents
Fresno	64,530 90	10.8 cents
Glenn	7,898 54	7.1 cents
Humboldt	71,770 77	26.07 cents
Imperial	67,600 22*	112.4 cents
Inyo	6,953 77	18.6 cents
Kern	2,338 49	.70 cents
Kings	9,220 67	8.3 cents
Lake	12,688 80	35.2 cents
Lassen	18,579 55	23.0 cents
Los Angeles	1,001,185 00	20.04 cents
Madera	16,638 14*	22.5 cents
Marin	31,560 44	18.5 cents
Mariposa	6,663 46	28.1 cents
Mendocino	27,943 31	19.8 cents
Merced	6,796 59*	4.2 cents
Modoc	18,053 99	32.4 cents
Mono	3,197 31	25.6 cents
Monterey	30,194 70	12.4 cents
Napa	19,734 19	13.8 cents
Nevada	14,039 58*	21.8 cents
Orange	51,011 56	18.3 cents
Placer	49,174 94*	60.5 cents
Plumas	11,456 97	21.9 cents
Riverside	3,604 86*	1.4 cents
Sacramento	68,634 74	13.4 cents
San Benito	14,074 20	19.7 cents
San Bernardino	131,449 45*	45.1 cents
San Diego	56,491 27	16.6 cents
San Francisco	731,094 67	15.3 cents
San Joaquin	57,070 87	16.3 cents
San Luis Obispo	10,014 18	6.7 cents
San Mateo	71,644 28	28.02 cents
Santa Barbara	38,817 22	13.8 cents
Santa Clara	194,973 59	28.6 cents
Santa Cruz	38,729 79	21.4 cents
Shasta	16,412 88*	13.3 cents
Sierra	3,501 49	16.4 cents
Siskiyou	24,081 83*	17.6 cents
Solano	30,519 28	15.4 cents
Sonoma	57,818 81	17.8 cents
Stanislaus	19,251 31	10.2 cents
Sutter	7,670 08	12.05 cents
Tehama	2,752 69*	2.4 cents
Trinity	9,078 54	32.1 cents
Tulare	55,287 60	15.7 cents
Tuolumne	11,987 87	16.75 cents
Ventura	34,933 96	16.3 cents
Yolo	41,401 53	22.2 cents
Yuba	15,487 28*	26.6 cents
Totals	\$3,244,381 40	15.42 cents

*Loss.

NOTE.—The amendment of 1910 allows San Bernardino and Placer counties a reimbursement until 1918 of the taxes lost to them on railroad property. The apparent loss will thus be turned into a gain.

At the end of this report will be found the detailed tables for each county for 1909.

The effect on cities.

In 1908 we undertook to ascertain in detail the effect of the amendment on cities, within the counties. This was unnecessary in 1909 as the new amendment provides that the counties shall provide out of their general funds for any special losses incurred by districts within their boundaries. It should be pointed out in this connection that part of the \$1,000,000 gain made by the county of Los Angeles will, under this provision, go to equalize the burden between cities in that county. In the end the net gain in that county will be about the same as in San Francisco, which is a city and county in one.

On the sufficiency of the state revenues under the amendment.

The State of California derives revenue from many sources. The most important are: (1) The general property tax; (2) the poll tax; (3) the inheritance tax; (4) the fees of the secretary of state; (5) the corporation license tax; (6) the insurance commissioner's fees and taxes; (7) the income from state property, interest on investments, and the earnings of state institutions. The only one of these that is affected by the amendment is the first, namely, the income afforded by the general property tax. The purpose of the amendment is to abolish the state tax on property in general and to supply the state's need from other sources, namely, the gross earnings taxes on public service corporations and on insurance companies and the percentage tax on the stock of banks. The question, therefore, arises as to whether the new sources proposed will be adequate to meet the state's needs.

The legislature at each biennial session passes the so-called tax levy bill, in which it fixes the total amount to be raised by an *ad valorem* tax for each of the two succeeding fiscal years. This is divided into two parts: (1) the amount to be raised for the general fund, covering the expenses of the regular departments of the state government and the state institutions, and (2) the amount for each of the three great school funds. The latter increases steadily as the number of school children increases, or about four per cent per annum. The former increases from year to year with the needs of the state institutions; as, for example, the increase of the inmates of prisons and asylums, and varies as the requirements for new buildings, etc., appeal to the legislature. It is usually, but not always, true that the tax levy is larger in the first of the two years after a session of the legislature than in the second, because the legislature makes certain appropriations available in the first year, which are not repeated in the second. The following table shows the tax levies from the fifty-first to the sixty-second fiscal years,

namely, from the year ending June 30, 1900, to the year ending June 30, 1911:

Fiscal year.	Tax levy.	Tax rate.
Fifty-first (1899-1900)-----	\$6,575,497	60.1 cents.
Fifty-second (1900-1901)-----	5,520,997	49.8 cents.
Fifty-third (1901-1902)-----	5,419,506	48. cents.
Fifty-fourth (1902-1903)-----	4,419,506	38.2 cents.
Fifty-fifth (1903-1904)-----	7,959,428	56.1 cents.
Fifty-sixth (1904-1905)-----	7,359,428	53.5 cents.
Fifty-seventh (1905-1906)-----	7,210,556	49. cents.
Fifty-eighth (1906-1907)-----	6,890,556	47.6 cents.
Fifty-ninth (1907-1908)-----	7,588,779	44.5 cents.
Sixtieth (1908-1909)-----	7,188,779	40. cents.
Sixty-first (1909-1910)-----	7,729,776	36.4 cents.
Sixty-second (1910-1911)-----	7,279,776	not yet fixed.

The average for the first ten years in the table is, in round numbers, \$6,600,000, or about the same as the first year; the average of the last five years is \$7,300,000, or about the same as the last year. As nearly, therefore, as can be stated the increase in twelve years is, in round numbers, \$700,000, or roughly ten per cent. Adding to the \$7,300,000 the \$700,000 raised by the three-cent tax for the university we get \$8,000,000 in round numbers as the amount required.

The following tables show what the new taxes would have yielded in each of the three years for which the investigations have been made:

TABLE I.

Estimate of State Revenues under the Commission's Plan, 1905.

Taxes on—	
1. Railroads, including street railroads-----	\$3,800,000
2. Express companies -----	120,000
3. Car companies -----	75,000
4. Telegraph and telephone companies-----	210,000
5. Light, heat and power companies-----	600,000
6. Franchises -----	500,000
7. Banks -----	1,500,000
	<hr/>
	\$6,805,000

TABLE II.

Estimate of State Revenues under the Amendment Submitted in 1908, based on the Assumption that it was in Force in 1908.

Companies.	State taxes.
Railroads and street railroads-----	\$3,792,780
Car companies -----	144,478
Express companies -----	87,010
Telegraph and telephone companies-----	331,047
Gas and electric companies-----	641,611
Franchises -----	550,000
Banks and increased taxes on insurance companies-----	1,798,250
<hr/>	
Grand total -----	\$7,525,176

TABLE III.

Estimate of State Revenues under the Amendment Submitted in 1910, Based on the Assumption that the Amendment was in Force in 1909.

Railroads, including street railways.....	\$106,922,045	77 at 4%	\$4,276,881	60
Light, heat and power companies.....	28,059,807	37 at 4%	1,122,392	29
Telephone and telegraph companies.....	10,418,791	09 at 3½%	364,657	68
Car companies	5,004,066	69 at 3%	150,122	00
Express companies	4,512,134	77 at 2%	90,242	69
Insurance companies.....		increased taxes at 1½%	103,459	38
Banks, taxable capital	149,818,045	18 at 6-10%	899,908	30
Franchises, assessable value.....	99,098,193	00 at 1%	990,981	93
				\$7,998,645
				87

Discussion of the tables.

In comparing these three tables, it should be borne in mind that some of the rates in the amendment of 1910 are slightly lower than those in the amendment of 1908.

As was explained above, the figures in the foregoing table are accurate and reliable. The gross receipts of the steam railroads are as reported to the state board of equalization and checked over by them. The names of the other railroads and of the street railroads, also of the power companies, telephone and telegraph companies, car companies, and express companies were taken from the assessment rolls and the gross receipts were reported to the commission by the auditor, president or some other responsible officer of each company. These returns were again checked by comparison with the returns in this year's published statements, and every other source of information. The returns on the banks were obtained from the superintendent of banks, who transmitted them in the following letter:

ALDEN ANDERSON, Superintendent.

BANKING DEPARTMENT, STATE OF CALIFORNIA,
OFFICE OF SUPERINTENDENT,
SAN FRANCISCO, CAL., May 27, 1910.

Hon. J. B. Curtin, Sonora, Cal.

DEAR SIR: In response to your request of the 24th inst., for certain information relative to the state banks of California as of the first day of July, 1909, I take pleasure in stating that the capital stock, surplus or reserve, and undivided profits of state banks as of June 30, 1909, in accordance with the records of this office, were as follows:

Capital	\$63,675,069	32
Surplus or reserve.....	26,400,101	75
Undivided profits	14,981,169	80
Total		\$105,056,340
		87

The corresponding figures for national banks in this state are taken from the report of the comptroller of the currency under date of July 16, 1909, and relate to the condition as of June 23, 1909; and are as follows:

Capital	\$36,292,800	'00
Surplus or reserve.....	16,337,569	01
Undivided profits	8,412,483	30
Total		\$61,042,852
		31

Yours very truly,
(Signed)

ALDEN ANDERSON,
Superintendent of Banks.

The total capital, surplus and undivided profits reported by the superintendent of banks amounts to \$166,099,193.18, from which is to be deducted \$16,281,148.00 of real estate assessed by the assessors, leaving \$149,818,045.18 of capital taxable by the state, upon which the six tenths of one per cent tax gives \$898,908.30.

The data concerning the insurance taxes were taken from the books of the insurance commissioner. The gross premiums collected were \$34,110,664.21, upon which the taxes at one and one half per cent would amount to \$511,659.96. From this we deduct \$408,200.58, the taxes now paid by the insurance companies, giving the increase of \$103,459.38, which alone is carried into our estimate of revenue.

The probable revenue from the one per cent tax on the value of franchises has been estimated on the following basis. The assessors in 1909 returned \$19,907,353 as the assessment placed on franchises other than those of banks, and public service corporations named in the amendment. That this is very inadequate and far below the requirements of the law is a well known fact. In twenty-eight counties no such franchise assessments were returned. The reason for the inadequate assessment of franchises is also well known. The present revenue law (see section 3628, Political Code) provides that "Other franchises (other, that is, than the franchises of railroads operated in more than one county) if granted by the authorities of a county, city, or city and county, must be assessed in the county, city, or city and county within which they are granted; *if granted by any other authority, they must be assessed in the county in which the corporations, firms, or persons owning or holding them have their principal place of business.*" This provision was originally intended to prevent double taxation; that is, the taxation of the franchise in several counties, but it has become a means of enabling the companies to evade any tax on their franchises. For example, in 1907 the assessor of San Francisco assessed the Associated Oil Company for \$200,000 on its franchise, and before the next assessment day the company moved its "principal place of business" to Oil Center, Kern county, California. In 1910 the Associated Oil Company was assessed in Kern county for its real estate there and for \$8,700 worth of personal property, but no assessment was found against the franchise, unless the same is included in the \$8,700.* There are many other similar instances which might be cited.

In the leading case of *Spring Valley Water Works vs. Schottler*, 62 Cal. 69, and other cases following it, the supreme court has repeatedly

*It must be distinctly understood that the commission does not intend to cast any discredit upon any assessor. The assessor who does, and the one who does not, assess franchises is each acting fully within the limits of the discretionary power conferred upon him by law. It is an open question whether merely changing on the books of the secretary of state the technical location of the "principal place of business" moves any property, from one place to another. But it does bar the assessor at a place where the principal place of business is not, from making any assessment on the franchise.

approved of the following method for making a valuation of the franchises of every class of corporation for purposes of taxation. This method consists in (1) ascertaining the total market value of all outstanding securities, and (2) deducting therefrom the assessed value of any visible or tangible property which belongs to the corporation. The amendment makes no change except to transfer the administration of the law from the counties, which have not succeeded in collecting these taxes, to the state, which can do so with certainty and uniformity. The commission considers this one of the strongest features of the new plan.

The superintendent of licenses in the office of the secretary of state reports that there are 15,011 corporations in the state subject to this tax. That number is exclusive of banks, insurance companies, and the public service corporations whose franchises are otherwise taxed under the amendment. These corporations have an aggregate capitalization of \$220,765,350.* Making a detailed estimate of the franchises of each of these corporations and not valuing any of them over \$4,000, which is certainly very conservative, we obtain a total valuation of \$79,190,840. Adding to that \$19,907,353, we obtain the total of \$99,098,193, of which the one per cent tax is \$990,982.

On the growth of these revenues.

There is no doubt but that the new plan will afford growing revenues to meet the growing needs of the state.

As was clearly demonstrated in the 1906 report of this commission, both by the experience of other states and by a demonstration of what would have been the experience of this state with gross earnings taxes had they been in force up to that time (see pages 166 ff. of said report), taxes on gross earnings grow faster and more steadily than an *ad valorem* tax on property. When we remember that by the time this amendment goes into effect we shall have another transcontinental railway in operation, that the great power companies are but just coming into their full earning capacity (their earnings grew from \$13,540,000 in 1908 to \$27,300,000 in 1909); that correspondingly the street and electric roads will be extended (the earnings of the twenty-nine street and electric railways reported by the United States census in 1907 as \$20,700,000 grew to \$27,200,000 in 1909); that the use of oil as fuel and of power from the mountains is rapidly enlarging all our industries and consequently enlarging the business of all our public service corporations and that of the banks (the capital of the banks grew from \$150,000,000 in 1905 to \$166,000,000 in 1909); that the completion of the Panama Canal will have the same effect; then we can not but be convinced that these taxes will be adequate to continue the state's expend-

*At the end of the report will be found a table showing approximately how many corporations there are in each of the different classes under the corporation license law.

itures along all the present lines and to meet their growth. It must furthermore be borne in mind that the sources of state revenue undisturbed by the amendment, notably the inheritance tax, the corporation license taxes and the poll tax, have been growing in the past few years so fast that the amount required by the state from the property tax, for which the new taxes are to be substituted, has been practically stationary. This is shown by the steady decrease in the tax rate from an average of about fifty cents before 1905 to 36.4 cents in 1909. Even if in some one of the first few years when the new system is being fitted into its place there should be a deficit, it can certainly not reach a million dollars, and a million dollars means only a four-cent tax rate. That is not enough to disturb the benefits of separation. But unless the coming legislature makes some very unusual and very large appropriations there will be no deficit, as the result of our investigation shows.

SECTION III.

DISCUSSION OF THE EFFECT OF THE AMENDMENT.**A. Upon local taxation in the counties.**

It has been clear for years to every one familiar with the working of the old revenue laws that one of the chief causes of the undervaluation of property and of the great inequalities between individuals is the imposition of a state tax on top of the county and other local taxes. If the state tax can be removed entirely or reduced to a minimum, the excessive burden of taxation on agricultural real estate and on the smaller real estate holdings in cities will be removed.

The saving to the taxpayers in the counties is an important but by no means the most important consideration. That saving comes from the fund created by the increased taxation of public service corporations, and is in itself one measure of the injustice and inequality of the present system. The distribution of this fund among the counties shows further by its very irregularity the inequities of the present system.

If the state tax is removed the assessor can value the property at its full cash value without as now fearing either that his constituents would have to pay too much state tax or that the state board would discredit him by reducing his valuation. That this would be conducive to greater equality between individual taxpayers is obvious. But it has other advantages. For example, in some of the counties that are trying to raise money for irrigation and to attract settlers to the irrigated lands, the lands are assessed for \$10 or \$14 per acre, for which the owners are asking from \$100 to \$200 per acre. Furthermore, the bonds for irrigation purposes can not be sold in the amounts necessary because of the underassessment of the lands. When the would-be colonist or the would-be investor looks at the low assessed value and compares therewith the high price asked, and learns that the tax rates aggregate \$3 to \$4 per hundred he is naturally very loath to settle or to invest. Make the assessment conform to the true value, make them tell the truth, and thereby reduce the tax rates to the lowest possible minimum and these difficulties all disappear.

Not least among the advantages would be the removal of the necessity for, or at least the large significance of, equalization by the state board.

In 1909 the state board raised the assessed valuation of the following counties by the percentages set opposite to them :

Alameda	10	per cent.
Fresno	20	per cent.
Kern	20	per cent.
Kings	20	per cent.
Los Angeles	40	per cent.
Monterey	20	per cent.
Orange	50	per cent.
Riverside	40	per cent.
San Bernardino	33½	per cent.
San Francisco	10	per cent.
San Joaquin	15	per cent.
Santa Barbara	25	per cent.
Santa Clara	10	per cent.
Santa Cruz	15	per cent.
Stanislaus	25	per cent.
Tulare	20	per cent.
Ventura	100	per cent.
Yolo	15	per cent.

The effect on the property owners in some of these counties was foretold by the state board in its report of 1907-8 in these words :

"The duties of the state board of equalization in the matter of assessment equalization are such as to excite the antagonism of nearly every property holder in the state, at least in those counties where the delinquencies of assessors call for action of the board in increasing the rolls of the county."

If there were no state tax there would be no feeling whatever about such action by the state board. A raise would be regarded as a compliment and a reduction only mildly resented.

The saving of the annoyance, friction and expense of state equalization alone will be of the utmost importance.

If some system of separation is not adopted, far more drastic methods of equalization must be devised. The injustices of the present system will not be tolerated much longer. For efficient equalization the state board must be granted far greater powers than it now has. It must have control over the assessors. In states like Indiana, Kansas, and New Jersey, which instead of adopting separation have tried to patch up the old general property tax, the assessors have been placed absolutely under the command of state boards, who give them detailed instructions and orders which if disobeyed entail the dismissal of the assessors from office. In some states the central board virtually makes every assessment and the local assessors are appointed by the board. If separation be not adopted some such methods must be. But the commission believes that it is better to leave the counties to manage their own financial affairs. The county assessor can not serve two masters; he is the servant of his constituents and he can not at the same time serve the state.

Distribution of gains and losses between counties.

The distribution of the gains and losses between the counties appears to be very uneven and varies from time to time as shown in the tables. Thus, some counties which gain in one year lose in another, and the proportionate gain or loss varies from year to year. This may require explanation. The fundamental reason for this is to be found in the inequalities and irregularities of the present system. The inequalities between the counties vary from year to year. In one year certain counties succeed in evading their state taxes in large part. But perhaps the next year other counties follow their example and cut away the advantages won by the former the year before. Then the state board steps in and by its attempts at equalization changes the gains and losses. To compare a uniform and equitable system such as that proposed in Senate Constitutional Amendment No. 1 with an ever shifting, ununiform, irregular and inequitable system like the present one, and to criticise the new one whenever it produces a result unfavorable to a certain set of taxpayers is illogical. The comparison in all such cases will show only the defects of the old system. He who loses under the new system is losing that which was never rightfully his.

When in 1909 the state board raised certain counties it increased their state tax and correspondingly increased the amount those counties would have saved under a system of separation. Correspondingly it reduced the amount the other counties would have saved.

In like manner the increase in the assessment of railroads by the state board diminishes the gain in many counties or in a few increases the loss. The reason for this may be stated in either of two ways. First, the increase in the taxation of the corporations diminishes the fund out of which alone the gain can come; or, it increases the amount which the counties must make up from other property.

It ought, therefore, to be apparent that the figures for the gain or loss to any particular county have no permanency. An increase of the state tax rate or a raise in valuation will increase the benefit of separation of state from county taxes to each county, while a decrease in the state rate of taxation will decrease the benefit to each county under the present *ad valorem* system. If for purely selfish reasons one county which would gain under the 1905 assessment might favor the amendment, that same county might lose under the 1909 assessment, and therefore be opposed to the amendment. Each varying assessment of railroad property or change of state rate of taxation would change the amount of gain or loss to each county, and therefore the merits or demerits of this amendment should be considered from the broad standpoint of the utter failure of the present system of taxation to distribute the burden of taxation equally, or anywhere near equally, while the

proposed amendment will more equally distribute the burden of taxation and provide a method of taxation by which a large amount of property that can not be taxed at all under the present system will be reached.

The counties have no just complaint to make against the withdrawal of the property of public service corporations from local taxation when in return they are granted exemption from the state tax. All of the property withdrawn is property of state-wide use; none of it is local. The real estate of banks is still to be subject to local taxation, the stock is at present not taxed. In return the state not only exempts local property from state taxation but it contributes over one half its income to the support of the local schools; it cares for the criminal, the insane, and orphans for every locality and in many ways relieves the local finances of expenses. It is sometimes argued that the counties are put to expense in protecting property of the classes withdrawn from local taxation. This argument overlooks the great share of local expenses borne by the state. Out of a total of \$13,931,997.56 collected from all sources by the state in the fifty-ninth fiscal year, \$6,832,277.71 was spent in ways which directly lessen local expenses; that is, for the common schools, the state hospitals, and prisons, and the like, which but for the state's bounty would be normally a purely local expense. The counties contributed toward this by the general property tax \$7,761,821.99, but received back from the state \$1,557,782.72 in railroad taxes, leaving only \$6,204,039.22. In short, the state gave the counties services costing it \$6,832,277.71 for a cost to them of \$6,204,039.22, or \$600,000 less.

B. The effect on corporations.

Each of the taxes proposed for each of the different classes of corporations is a more just and a more effective tax for that class of corporations than the *ad valorem* tax now in force. Let us examine them individually.

First—The great railroads. Under the present system the state board of equalization is required to make a valuation of the roadway, roadbed, rails, rolling stock, and franchises of all railroads operating in more than one county, while the assessors are required to value the stations and other structures, real estate off the right of way (160 feet wide), and the personal property other than rolling stock and franchises. The task set the state board alone, if the full intent or hopes of the framers of the constitution were to be carried out, is one of the greatest difficulty. Great railway systems can not be valued by the simple methods used for valuing live stock. Even the great banking houses and financial syndicates which handle railway stocks and bonds do not, with all their resources in the way of expert engineers and highly paid accountants, ever undertake so intricate a task, yet the state lays this

task on the shoulders of five men elected by the people and as a sort of by-play to other very arduous and important duties. Until recently the board counted the miles of track, the number of locomotives and cars, and guessed at their value, then guessed again at the value of the franchises and reached a total—such as it was. What wonder that they gladly adopted the suggestion of this commission that if they made such a valuation that the total taxes would equal four per cent of the gross earnings they would be doing effective justice. Since 1906 the assessment of railroads has been made by the application of a mathematical rule, and guess work has stopped.

Moreover, the board can now defend its work both as against the criticisms of the railroads' tax agents and before the public, which it could not do before. That the assessors, in turn, can know nothing about the value of a station building used as part of a great transcontinental transportation plant is too obvious to need mention.

Then there is the difficulty of apportioning these taxes. At present the assessed valuation is apportioned among the counties on a mileage basis and taxed by the counties as they please. That sparsely populated rural districts should levy tolls on passing commerce sufficient to enable them to meet all their local expenses is too rankly unjust to be tolerated. The proceeds of the taxes on the great agencies of commerce belong by right to the people of the state as a whole.

For example, in 1909 San Bernardino county received from the state treasury \$213,747.37 in railroad taxes collected in her behalf. She paid into the state treasury on the general property tax \$86,633.34, or \$127,114.03 less. In the twelve years from 1899 to 1910 that county received from the state in railroad taxes and for the common schools, high schools, and orphans, a total of \$2,240,905.01, and she paid into the state treasury in poll tax, property tax, inheritance tax, sale of school lands, and all other sources, only \$1,213,604.69. In short, in twelve years the rest of the state has contributed \$1,037,300.32 to the support of local government in San Bernardino county. (For details see table at the end of this report.)

On the other hand, the gross earnings tax on railroads is simple of administration, can not be evaded, and can be enforced without the exercise of judicial discretion on the part of any official. It is always in exact proportion to the ability of the companies to pay, and the returns increase as the state's needs increase.

What has just been said as to steam railroads applies equally to street railroads. Even an assessor of great ability and unusual experience can only guess approximately at the value of these complex properties. The attempted valuations are always in dispute and the subject of endless squabbles and scandals. This is all unnecessary when a simple,

effective, and just method of taxation is available, namely, a tax in proportion to gross earnings.

Turning now to the great power companies. Here we have a new development that is far outside the present plan of taxation, and has sprung up since it was adopted. In 1880 the assessment of railroads was turned over to a state board, because it was obvious that they should be valued as a whole and not in odd sections by counties. Had the great power companies, which now stretch from the Sierras to the ocean, been in existence then we might very appropriately have treated them the same way. Clearly the county assessor can, by scanning the wires as they cross the fields in his county, learn little of their value in relation to the whole plant. Moreover, it is hard to see why the counties where the power is made should have the lion's share of the taxes, small as they are under the present system, while the counties where the power is bought and used and whose money goes to pay the taxes, get little or nothing. Here, again, the proceeds of the taxes levied should clearly go to the state at large. And the simplest, easiest, and most just way of taxing these companies is on gross earnings.

The express companies have served as the stock illustration of the absurdity of an *ad valorem* tax on a great going concern. In the famous "Ohio Express Company cases," the supreme court of the United States points out the absurdity of "taxing a business that earned \$275,446 in a single year on the basis of \$23,400 worth of horses, wagons, and safes."

The car companies are on all fours with the express companies. The Pullman Company, with 89 standard and 46 tourist cars in the state, in 1908 earned, according to the state board's estimate, over \$1,200,000. Until the state board applied the gross earnings method to the assessment of this company its taxes were absurdly low. Cattle car companies earn from \$200 to \$240 per car per summer, as ascertained by the United States commissioner of corporations, and fruit refrigerator and oil cars earn more. Their taxes are trivial under the old system.

Exactly the same is true of the telegraph and telephone companies as of the railroads and power companies, so we need not repeat it.

How lamentably our tax system breaks down when applied to banks is well known. The national banks are not really taxable at all. What they do pay is a gift of free will. The state commercial banks can easily evade taxation almost entirely, and probably two thirds of what they pay is a free gift, while the whole amount is insignificant. The savings banks, on the other hand, are "soaked," to use a slang term, to the full extent of the law. Yet many of our sister states consider that savings banks should be more tenderly handled in tax matters than any other classes of banks, because they promote thrift and house the savings of the workers.

We have, as a matter of fact, no choice of method as to how banks shall be taxed unless we are willing to let the national banks go untaxed. Congress has decreed to the states: "if you tax national banks you shall tax them thus and so; and furthermore, if you do not tax your state banks, also, thus and so, and precisely in the same way that you tax national banks, you shall not tax national banks at all." Fortunately, the method prescribed is a most just and equitable one, and one at once simple and easy of enforcement. A tax on the capital stock is a tax on what the bank as a corporation owns, and as the law, public opinion, and business necessities require that the capital shall be in proportion to the business, such a tax is as fair between bank and bank as any tax can possibly be. It is also fair to the rest of the taxpayers, as it covers all that the bank owns. There was a difference of opinion between the banks and the commission as to what the rate should be, and the legislature sitting in judgment between us decided "to split the difference." The commission is ready to admit that the bankers presented a very strong argument.

As to the insurance companies, they are not now subject to the *ad valorem* tax, and the amendment does not change the present system except in so far as it proposes to extend the same method and the same rate to all. Although the old-fashioned insurance agent, especially the life insurance solicitor, was once prone to argue that insurance should not be taxed at all, it is now generally admitted that the insurance companies should be taxed, and that the premiums collected are the proper basis of such taxation.

As to franchises we have already explained (page 28) why it is impracticable to assess these locally. They should be taxed by the state by one uniform method.

As to the adequacy of the rates of taxation proposed we may refer to the long and detailed discussion of all the points involved which was given in the 1906 report of this commission. Nothing has been brought out in the four years' discussion to lead us to feel that the rates were in any case too low.

SECTION IV.

DEFECTS OF THE PROPERTY TAX AND GENERAL ARGUMENT FOR SEPARATION.**Faults of the old system.**

The report of this commission in 1906 gave full details as to the faults of the present system and discussed them at great length. The summary of them is reprinted here for convenience.

1. In general, the present system of taxation does not meet the demands made upon it. It is antiquated, having been adopted fifty years ago, and has not been revised to keep pace with modern conditions.

2. It is full of inequalities, which impose a handicap on the growth of the state, a handicap which only the vigor and inexhaustible energy of our people can carry.

These inequalities twist and distort our industries and prohibit a symmetrical development of our resources. They place an undue burden upon agriculture especially; the foundation of our wealth, the one industry which most fully exploits the great natural resources of the state.

3. The taxes paid by farmers in California are equivalent to an income tax of 10 per cent. This is in contrast to many other industries; for example, the taxes paid by manufacturers, which amount only to 2 per cent on income. The persons engaged in agriculture, with an average yearly income of about \$500, pay \$50 per capita per annum in taxes. The persons engaged in manufactures, with an average annual income of \$870, pay \$17.50 per capita per annum.

4. Our chief tax, called a general property tax, has in fact become a real estate tax. Only from 15 per cent to 18 per cent of the entire taxes are levied on personal property.

5. The amount of personal property on the tax rolls to-day is hardly larger than it was in 1872.

6. National banks pay no taxes at all, except on real estate, of which they are not permitted to hold much, by the provisions of the federal laws.

7. State commercial banks, subject to our tax laws, are badly handicapped by the competition of the untaxed national banks. Many of them have become national banks partly for the reason that they would not then be subject to taxation.

8. State commercial banks, to live at all, in the face of this competition, are forced to evade taxation whenever possible and are hampered in their investments by unwise provisions of our tax laws.

9. Savings banks, which harbor the savings of the workers, and which are, in many states, granted special rebates in taxation on that account, are the only class of banks which pay their full quota of taxes.

10. "Equalization," so called, does not equalize, and in the nature of things, can not equalize. After the officers have exhausted their best efforts in this direction there are inequalities—glaring ones—between real estate and personal property; between different classes of personal property; between county and county; between city and city; between city and country; between man and man. All of which are rarely removed and often intensified by so-called equalization.

11. The original inequalities in the assessment are intensified by the constant piling up of tax on tax on the same base. If a city has a rate of \$1.00, which may be "reasonable" enough, there often comes on top of that a county tax of another \$1.00, a few special school taxes, or a sewer tax, or a tax for bonds, or a levee tax, or a drainage tax, etc., etc., until the effects of any inequalities in the original assessment have been multiplied anywhere from two to five fold. Aggregate tax rates falling on city property range from \$1.65 per \$100 to \$5.00 per \$100 of assessed valuation.

12. Counties with relatively undeveloped resources often have very high tax rates on relatively high valuations, while some of the richest counties enjoy a low tax rate on low valuations.

13. The present system takes the revenue derivable by taxation from large general organizations, like the railroads, which revenue belongs by right to the people of the

state at large, and distributes it most inequitably among the local divisions of the state which have no proper claim to it whatsoever.

14. Under the present system it is impossible to adjust the burden of taxation equitably between different classes of corporations.

Some further illustrations and examples of the seriousness of these faults may be of value.

The valuation of property in different localities is very unequal and as long as there is a heavy state tax to be apportioned on the basis of assessed valuations it will continue to be unequal. There is but one effective remedy available and that is to remove or greatly reduce the state tax on property in general. Let us give some examples. In 1909 the state board of equalization, in the crude way in which alone it can proceed, raised the valuations placed by the assessor on property in Ventura county 100 per cent, or from \$11,094,360 to \$22,188,720. This year, as though to admit the justice of this drastic action, the assessor has returned the valuation placed by the board and added \$600,000 thereto. The state rate last year was the lowest on record, 36.4 cents. If the valuation placed by the assessor had not been raised Ventura county would have saved, even with this low rate, some \$40,000 in state taxes which other counties would have had to pay. Incidentally, one may ask the question whether part of the \$600,000 of new valuation found by the assessor is not new capital which has ventured into the county since the tax rate was reduced from $2\frac{3}{4}$ per cent in 1908 to 1.4 per cent in 1909. Another example: Los Angeles county was raised 40 per cent in 1909. The raise was bitterly opposed, but the state board presented uncontrovertable figures showing the justice of their action. So the meaning of it is that Los Angeles county was trying to unload nearly \$600,000 of taxes on other counties. In the last five years Los Angeles has saved over \$2,750,000 in state taxes by this method, which amount has been paid by other counties. One more example from the multitude available. San Bernardino county not only virtually receives a large bonus each year in the way of taxes on railroads, but according to the state board was last year $33\frac{1}{3}$ per cent undervalued. The assessor met the raise and added \$4,000,000 more this year, showing that in his opinion the raise was just. Had the assessment stood that county would have robbed other counties of \$30,000 last year.

Probably 90 per cent of the voters in these great communities do not know that they are plundering their fellow citizens in other communities in this manner and would repudiate it if they could. But the old system not only permits and rewards it but practically forces it on the assessors. The state board said in their report of 1908: "The strife between counties to keep their assessments down to the lowest notch on account of the state tax is just as much a feature to-day as it has been at any period in the state's history."

Equalization no remedy.

The supposed remedy for these conditions, namely, equalization by the state board, is no remedy. It is a punitive measure having but little good effect and involves great evils in itself. It intensifies existing inequalities between man and man. The board can only raise or lower the valuation of a county as a whole. Yet they say in their report of 1908: "It is within the knowledge of members of the state board that in certain counties for years past one or more species of property have been grossly underassessed as compared with other species of property in the same county; time after time attention has been called to these discrepancies, with little effect in securing a correction of the same. Even in aggravated cases of the kind the state board is naturally averse to raising a whole county assessment, simply because one class or species of property is undervalued, when it is obvious that a horizontal raise will do serious injustice to property owners who are already assessed high enough."

Many classes of property undertaxed.

Many classes of property, especially those held by public service corporations and that of the commercial banks, are not adequately taxed. The underlying reason for this is not corrupt politics, as many persons are prone to assume, but the simple fact that these classes of property or the methods by which they are held have grown up since our now antiquated tax plan was devised and can not in the nature of things be taxed adequately by so crude a method. The difficulty is not peculiar to California; it exists in every state in the Union. In fact, very similar problems confront every civilized country in the world. The bitter struggle over the English budget turns on the same issue. Germany, whose tax system was pronounced ideally perfect in 1890, is already striving by new taxes to reach the new resources which during the past twenty years of rapid industrial development have grown up outside the, in 1890, perfect tax system.

Again, let us take concrete examples: When the commission made its first careful study of the existing conditions in 1906 it held that the classes of corporations covered by this amendment were undertaxed some \$4,000,000 and more annually. Conversely, of course, other property paid too much. Since then the state board has by a rough method made the great steam railroads pay what the commission believes they should pay, and in a few cases the assessors have done the same with street railroads. But that's a bare fourth of the amount. The agitation of this question has in four years poured into the public coffers some \$5,000,000 of taxes heretofore escaped. But there is a lot more to be had, and we can have it right away if the amendment is adopted.

THE MEANING OF SEPARATION.

(Reprinted from the 1906 Report.)

Introduction and definition.

The separation of state from local taxation as to sources of revenue has come to be generally recognized as the one feasible pathway for tax reform.

As this commission uses the term "separation of sources" it means that the counties and local governments shall tax only the private or individual real estate and tangible property within their boundaries, property, that is, which is clearly and distinctly localized. This class of property has a distinctly local situs and benefits obviously and directly by local government. Upon this class of property there shall ultimately be no state tax. The state, on the other hand, shall tax all those industries, and classes of property sometimes called "corporate" to distinguish them from the "private or individual" industries and properties. Such property does not have, in the same sense, a local situs; it extends over many communities, serves all, and all contribute to its income. Steam and electric railroads, telegraph and telephone companies, express companies, insurance companies, banks, trust and loan companies, light, heat, and power companies, all of these have no distinct local situs, as does a piece of land, or a business block. The characteristic of all such corporate enterprise is that the value of the business which they carry on in any particular municipality is more or less intimately dependent upon the business carried on by them in one or more other municipalities, rural or urban, and can not, therefore, be properly estimated or taxed in any one place, or even in a series of places. Such property and industries are general. They belong to the people of the state as a whole, not to any particular community in which by accident their rails, wires, or offices may be.

The general, non-local, character of corporate property is so obvious that it seems almost superfluous to argue that the taxes thereon do not belong to the localities. But as this idea is comparatively new in practice it may need illustration. A car load of butter and cheese may be shipped from Humboldt county by water to San Francisco and thence by rail to New Orleans. On its way it will pass through many counties. We should hold it robbery if each county erected toll gates and collected tolls on that car load of Humboldt products. But that is practically what we allow when we permit the counties to tax the railroads. Or, again, a vineyardist in Napa may ship a cargo of wine to London; a San Francisco bank buys the bill and "finances" the operation. San Francisco in taxing the banks virtually levies a toll on the Napa vineyardist's goods. Every year the banks bring in large sums of money to "move the crops." This money goes all over the state, even into localities where there are no banks. Every producer in the state contributes to the profit which the banks make on the transaction. Why should this business be taxed in San Francisco, Stockton, Sacramento or Los Angeles only? The business is general, and the taxes on it should be for the support of the state government, which represents all the people and all parts of the state alike. Does the fact that San Bernardino county, Nevada county, and Siskiyou county sit at the gateways through which the railroads enter the state give them a right to tax every yard of cloth, every box of crackers, every plow, and all the other multitudinous wares which the people of this commonwealth bring in? Many counties not situated on the line of any railroad nevertheless contribute to its traffic. By what right are they to be deprived of the taxes levied on this traffic? If the railroads are taxed by the state alone and for state purposes alone, every dollar of taxable property in the state, whether on the line of the railroad or not, is benefited, for the amount paid into the state treasury from this source lessens the tax on all property in the state.

The right to do business that is enjoyed by corporations is a privilege granted by the state, and not by the cities or counties. Therefore, any tax that may be levied upon the revenues derived from the enjoyment and use of the state privileges used by corporations, especially public service corporations, ought to be paid into the state treasury for the support of the state government, from which the privileges are derived, rather than into city and county treasuries.

Obviously there is a perfectly clear line of demarcation between property local in character which would be subject to local taxation and property or industries general in character which should be subject to general or state taxation.

To accomplish separation it is necessary to define clearly and sharply the boundary line between state and local powers of taxation. This boundary line having been once defined, neither of the two parties shall trespass upon the territory set apart for the other. It implies that there shall be an end to the everlasting piling up of rate

on rate on the same subjects or the same foundation, which is the bane of our present system of taxation.

Separation will give the counties substantial home rule in matters concerning their own taxation, and to the same extent there will be home rule in matters concerning city taxation.

Within strictly defined limits the county, or, respectively, the city, should be permitted to determine its own policy concerning the raising of revenue. This does not preclude general laws intended to bring about a certain amount of uniformity as to methods, but it does preclude that constant deference to the effect of state or other sur-taxes which tends to divert the attention of the assessing officers from their primary duty, which is to establish uniformity and equality of taxation between man and man. It is indisputable that separation would abolish the chief incentive to and cause for undervaluations and remove the chief source of the existence of discriminations.

Separation would at once abolish all the evils which "equalization" is intended to prevent, but which it unfortunately fails to remedy.

The crude assumption that each and every interest should be taxed in the same way in proportion to the property which it uses is one of the fundamental iniquities of our present system. This it is which prevents us from taxing each interest in accordance with its ability to pay.

Theoretical Considerations.

The theoretical principle for the separation of state from local taxation is found in part in the natural distribution of functions between state and local governments. The activities of the local governments, such as the protection of property by the police, the fire departments, the local courts, the construction and maintenance of roads, streets, bridges, and the like; the provision for schools, the care of the sick and of the poor, redound distinctly, directly, and peculiarly to the benefit of local real estate owners, or local industries, and enhance and sustain the value of real estate and of other tangible property in the localities. This has always been the ground for making local governmental expenses a local charge. Separation makes no change in this respect, but it does propose to relieve local property from state taxes and from the expenses of general activities, the benefits of which are not directly traceable to the activities of the local government.

In the counties outside of the cities, the chief local industry is agriculture, and it seems peculiarly fitting that the local industries should bear the expenses of its own protection and support the local charges. There is probably no better way of apportioning the taxes among a group of farmers for the support of the charges of the local government than by the taxation of real estate. The property tax originated as a neighborhood tax, and works best when used to apportion neighborhood charges among neighbors. It can be made effective only among a group of persons who know each the other's affairs to a large extent, and where deception and concealment is not easy.

In cities, generally, it is the growth of the city that gives value to real estate. This may be admitted without going the full length of the claims of the single taxers, that it is the activities of the city alone which give value to real estate. From either point of view it seems proper that such property should bear the greater part of the expenses of the city which creates its value. Strong arguments have been advanced in support of the contention that the local expenses should be limited to the amount which the local real estate can afford to pay; whether these arguments are valid or not, they point the conclusion that real estate should pay the local expenses.

On the other hand, the activities of the state are all broad and general. This is uniformly recognized in the constitutional provisions now found in almost all state constitutions prohibiting local or special laws. The duties of the state are mainly legislative. It provides a uniform code of laws, the same throughout its entire territory. It provides laws under which business is conducted. It grants charters to industrial and other corporations. It administers such public institutions as are in no sense local in character. In general, the state cares for all those interests that are too broad or too large for the local governments to handle.

Corresponding almost precisely to the general activities of the state government, we find the properties and business of the great public service corporations which pervade the whole state, such as the railroads, the telegraph and telephone companies, the express companies, and, of late, the light, heat, and power companies, which have spun their wires like a spider's web over many communities, or the insurance companies and the banks, whose business is in no sense confined to one locality. These

industrial corporations are distinctly and peculiarly the creatures of the state, and it is to the state and not to the counties or the cities, that we naturally turn for their regulation and control. They serve the people of the state as a whole, and are prohibited from bestowing favors on any one community. There is little or nothing localized about them, nor do they benefit, save, possibly, in so far as their local franchises are concerned, in the same peculiar and direct manner as does private individual real estate by the activities of the local government.

There is, thus, ample theoretical ground for making a separation as to the sources of state taxation from those of local taxation. The general classes of corporations which we have had under consideration are so broad in their activities, their stock-holders, and, including for the nonce the oft forgotten consumers of their products, or of their services, are so widely scattered that the propriety of taxing them, where, by some accident of organization or of legal enactment, their head office may be or their property may lie, is clearly illogical.

Practical Considerations.

The practical reasons for the separation of state from local taxation are:

1. Complete separation will abolish at once the expense, friction, and annoyance of the vain attempt to equalize between the different counties. Partial separation will lessen this evil, because as the proportion of state taxes to the total tax burden on each citizen is reduced the inducement to undervaluation is reduced in like proportion.

A large part of the inequalities in the assessment have their origin in the attempt of assessors to save part of the state burden to the county by undervaluation.

2. When separation is permitted it is possible to place each tax in the hands of that branch of the government which is best adapted to administer it. The taxation of public service corporations, for example, whose business pervades the whole state, can not be adequately handled by the local assessors. In every case, in order to obtain any sort of equality, uniformity, and justice in the treatment of these great corporations, it is necessary to call in the assistance of a state board, even if the resulting taxes are distributed among the localities. This is one of the several points at which the general property tax breaks down, and in which our present administrative organization in California is especially weak. If we have separation of sources the state alone would deal with these corporations. This would save a great amount of friction and more or less expense.

The different classes of corporations can not all be successfully taxed by one and the same method. That has been partly recognized in California already in the taxes imposed on the premiums of insurance companies. The local assessors and other administrative officers, engaged, as they necessarily will be, largely in the administration of the local taxes, can not safely or wisely be intrusted with the administration of several other sorts of taxes. Nor have these officers in the past shown any ability to handle the administration of broader matters concerning taxation. What is needed is separate machinery for the administration of each of the different taxes.

Separation in other states.

Many of the eastern states have achieved tax reform along the lines very similar to those proposed. That is by separation. The details of the plan vary in each case with historical and local conditions; no two are exactly alike. But the main features are the same. The general property tax has been relegated to use for local purposes and the state keeps its hands off. The public service corporations are taxed for state purposes. Pennsylvania and Connecticut are regarded as the pioneers in this movement, having had separation for many years. New York, after twenty-five years of striving, achieved separation about 1903. Wisconsin reached the goal after many years of effort in 1909, and Minnesota in 1910. But each of these two states had so nearly eliminated the state tax some years ago that it was not an important feature. Vir-

ginia achieved separation by revision in 1902, but allowed five years for a transition period.

The following tables show how these states do it:

	Connecticut. 1908.	
No state ad valorem tax.		
Express companies, tax on		\$18,140 52
Inheritance tax		278,370 76
Insurance, fees and taxes on		155,050 43
Investments, tax on		160,625 91
Military commutation tax		163,283 06
Mutual fire insurance companies, tax on		5,082 70
Mutual life insurance companies, tax on		366,838 95
Nonresident stock tax		134,393 12
Railroads, steam, tax on		1,302,679 83
Railroads, street, tax on		229,987 12
Savings banks, tax on		555,559 35
Telegraph and telephone companies, tax on		74,231 35
		<hr/>
	New York. 1909.	
No state ad valorem tax.		

Excise	\$5,140,524 21
Corporations	8,671,920 20
Organization of corporations	343,938 99
Inheritance tax, net	6,962,615 23
Stock transfers, stamp tax	5,355,546 16
Mortgages, registration tax	1,844,821 45
Racing associations	65,166 74
	<hr/>

	Pennsylvania. 1909.	
Tax on capital stock		\$9,916,840 41
Tax on building and loan associations		14,459 69
Tax on corporate gross receipts		1,520,973 84
Tax on bankers and brokers and notaries		20,813 58
Tax on bank stock		990,089 67
Tax on bank examinations		49,032 40
Tax on incomes		44,533 29
Tax on premiums		1,340,215 64
Tax on gross premiums		126,163 52
Tax on corporate loans		2,497,480 81
Tax on personal property		4,315,411 86
Tax on inheritances		1,739,852 73
Bonus on charters		516,265 55
Licenses		3,156,413 92
		<hr/>

	Virginia.	
Achieved separation by constitutional revision in 1902. By a plan which allowed five years for a transition period.		
Banks		\$129,669 22
Insurance bureau		17,504 46
Inheritance tax		38,397 28
Charter fees		25,590 20
Corporation tax		397,709 80
Franchise tax		105,715 00
Insurance licenses and taxes		167,594 96
Income tax		26,697 16
Law processes, tax on		185,230 66
Licenses other than liquor		458,250 45
Licenses, liquor		361,572 45
Oyster tax		65,580 95
		<hr/>

\$1,979,512 59

Wisconsin. 1908.

Small ad valorem tax. Newspapers reported in 1909 that Wisconsin in that year became a "taxless state."	
Property tax -----	\$696,043 87
Railroads -----	3,265,676 73
Telephone companies' license -----	36,628 89
Fire insurance companies -----	174,652 19
Life insurance companies -----	393,077 72
Inheritance tax -----	245,653 32
Street railways -----	22,207 31
Telegraph companies -----	45,207 45
Sleeping car companies -----	5,343 28
Loan and trust companies -----	9,915 38
	<hr/>
	\$4,893,806 14

SECTION V.

CITATIONS FROM AUTHORITIES, ETC.

The conclusions of the commission are supported by the best authorities on taxation, and are in line with the recommendations of very many similar commissions in other states. For convenience of reference we bring together a number of citations in point.

The Civic Federation of Chicago in 1907 published a summary of the recent reports of special tax commissions covering: Reports from the following states:

Massachusetts (3 reports).
Vermont.
Missouri (2 reports).
California.
Oregon.
Washington.
Kansas.
West Virginia.
New York.
New Jersey.
Minnesota.
Michigan (biennial reports).
Wisconsin (biennial reports).
Illinois.
Ontario (Commission on Railway Taxation).
The Income Tax: Kinsman.

The editor of this summary states the "significant features" of these reports in the following language:

SIGNIFICANT FEATURES.

A review of the conclusions reached by the several commissions, as shown in the summary, reveals the following significant facts:

(a) A general recognition of the necessity of adjusting tax systems to meet changing conditions.

(b) The general property tax is denounced by a large majority of the commissioners as primitive, ineffective, unadapted to present industrial conditions, and the greatest obstacle in the way of revenue reform.

(c) Constitutional restrictions on revenue methods in most of the states are declared unnecessarily rigid, and harmful; efforts are being made in many toward amendments.

(d) The separation of the sources of state and local revenues is generally favored, and being widely adopted.

(e) * * * * *

(f) A recognition, all but unanimous, that all kinds of property can not be properly taxed by the same methods; that classification of subjects for taxation is wise and equitable, and sanctioned by the highest courts.

(g) An increasing tendency to apply railroad and other corporation taxes (including those on franchise values), and license fees, to state purposes, these being assessed by state boards, leaving local assessments for county and municipal purposes.

The Missouri commission of 1906, of which Frederick N. Judson, the author of the leading legal text-book on the "Law of Taxation," was chairman, said:

We are all agreed that the first step in any tax reform is the separation of the sources of state and local revenues.

Professor Seligman of Columbia University is recognized as the leading authority on taxation in this country. As long ago as 1895 he said:

Slowly, but surely, we are moving toward a readjustment of the American system of taxation. Its ultimate form can already be faintly discerned; separation of state and local revenues; state revenues derived chiefly from corporation and inheritance taxes; local revenues derived from real estate and from the other elements of taxable faculty.

Thirteen years later, with the development of that period under review, he said:

What, then, are the chief difficulties in our tax system which are coming more and more to be recognized everywhere throughout the length and breadth of the land. I should sum them up under eight heads.

First and foremost is the *breakdown of the general property tax*, which is almost everywhere still the chief reliance of state and local government. The general property tax works well only amid most primitive economic conditions for which alone it was calculated. Almost everywhere, for reasons which it is unnecessary here to recapitulate, and which it is utterly impossible to prevent, personality is slipping from under. The administration of the general property tax is everywhere attended with increasing difficulty, and in our large industrial centers it has become, to use the words of a recent tax report, "a howling farce." Everywhere, north and south, east and west, although in varying degree, comes the cry that the attempt to enforce the general property tax, whether by listing bills or tax ferrets, by oaths or by inquisitors, is doing much to force upon the average citizen habits of falsehood and corruption.

Second, a growing lack of equality in tax burdens, not only as between classes in the community, but as between individuals of the same class. Where land, for instance, is assessed at 20 per cent of its value in certain counties, and at 80 per cent or 100 per cent in other counties, it is obvious that the contribution to the state tax is grossly unequal and unfair.

Third, the application to general purposes of what was intended to be only a local revenue. All direct taxation was originally local in character, and the assessment of property for local taxation was at the outset a comparatively simple matter. When the need for state revenues made itself felt, it was obviously expedient to tack on to this local taxation a quota for general purposes. But with the great development of state functions, and with the breakdown of the local barriers of commerce and industry, what was originally equal soon turned into inequality, and the attempt to fetter interlocal or even interstate business conditions by the bonds of purely local assessment has proved to be a fruitful source of difficulty.

Fourth, the failure to make modern corporations bear their fair share of taxation. The corporation is a growth of the last half century. It was unknown when the present framework of our tax system was established. The attempt to force the new wine into the old bottles is not only spoiling the wine, but cracking the bottles.

Fifth, the failure to secure adequate compensation from individuals and corporations alike for the franchises and privileges that are granted by the community. An earnest effort is being made at present throughout the length and breadth of the land to repair this defect. But with the historic system as it has come down to us in this country of estimating wealth in terms of property rather than, as abroad, in terms of income, we have been plunged into the vortex of the assessment of franchises, and have thus been compelled to attack a problem which does not even exist in other parts of the world.

Sixth, the undue burden cast upon the farmer. Practically, this is the problem of taxation in many of our rural districts and in all agricultural communities where the failure of an adequate revenue system and of the readjustment of social resources makes it impossible to secure good schools or fairly decent roads without overburdening what is, after all, the chief source of American prosperity.

Seventh, the interference with business, due to the partial and spasmodic enforcement of antiquated laws. Witness the attempt in some states suddenly to levy the mortgage tax, as recently in New York, where the entire building industry was thrown into confusion; or the attempt in other states to enforce now this and now that kind of property tax on businesses which led to a change in the location of the business rather than to any increase of revenue. The harassing of the individual

business or the fear of harassment is becoming less and less defensible in the delicately adjusted mechanism of modern business society.

Eighth, the failure to make great wealth contribute its due share. In former times, where property was fairly equally distributed and conditions simple, inequalities in tax burdens were slight and unperceived. Before the huge aggregations of modern wealth, the crude tax machinery of earlier days stands impotent. And yet we hug ourselves with the delusion that all that is necessary is to patch up the old machinery, whereas what is really needed is to throw the old machinery on the scrap heap and to utilize entirely new and modern instruments and processes.

His conclusion was:

The separation of state and local revenues is therefore a matter of vital importance in the American commonwealths of to-day, not so much because it forms in itself any solution of the problem, but because it is the indispensable initial step to any substantial progress. The separation of state and local revenues is not a cure, but it alone will make a cure possible. It is from this point of view that we must address ourselves to the problem.

The problems of taxation in the United States are becoming every year more complex. In order to solve them we must keep in mind the ultimate goal, and be prepared to take the first step. The ultimate goal is the accommodation of fiscal methods to our changed economic conditions. The first step is the separation of state and local revenues.

The International Tax Association is an organization formed in 1906. Its membership comprises all the leading tax experts in the country, including university professors of taxation, state tax commissioners, representatives of the legal profession interested in taxation, and many special students of tax problems. It holds an annual conference attended by delegates appointed by the governors of the states and by the presidents of the leading universities, and by others selected for their knowledge of tax problems.

At the conference held at Columbus, Ohio, November 23-24, 1907, at which thirty-three states and the District of Columbia, three provinces of Canada, and thirty-two universities were represented, the following resolutions were passed:

STATE CONSTITUTIONS.

WHEREAS, The greatest inequalities have arisen from laws designed to tax all the widely different classes of property in the same way, and such laws have been ineffective in the production of revenue; and

WHEREAS, The appropriate taxation of various forms of property is rendered impossible by the restrictions upon the taxing power contained in the constitutions of many of the states;

Resolved, That all state constitutions requiring the same taxation of all property, or otherwise imposing restraints upon the reasonable classification of property, should be amended by the repeal of such restrictive provisions.

HOME RULE.

WHEREAS, The reliance by state governments for revenue upon the taxes ordinarily imposed on property as assessed by local officials has produced sectional injustice and jealousy and local inequality; and

WHEREAS, The general property tax as a source of state revenue enforces a rigid uniformity which can take no account of actual conditions; be it

Resolved, That the state and local revenue systems should be so far divorced that by general laws the appropriate local governing bodies may, if deemed expedient, be granted certain limited and carefully prescribed powers over the licensing of occupations and the selection of subjects of local taxation and the rate of assessment upon such subjects.

Another leading authority, Professor Daniels of Princeton University, says:

The remedy for the first evil is not difficult to find. It is the abolition of the state tax on real estate. The basis of assessment upon which this tax is now imposed is unfair as between different sections. This basis of assessment is also incapable of any very material improvement through the machinery of state boards of equalization. In most of our states, however, the entire abolition of commonwealth taxation upon real estate seems feasible.

In another connection he says of the general property tax:

Some states have sought to uncover personal property through the machinery of oaths, affidavits, and the like. The effectiveness of such laws is inconsiderable. If Jove laughs at lovers' vows, he probably guffaws at taxpayers' oaths. Even the Psalmist's hasty allegation of universal mendacity needs little qualification in this province of finance. Where the taxpayer's conscience is tender he finds (as one has put it) that virtue is perforce its own reward. This phase of the system is described in one tax report as "a tax upon ignorance and honesty"; and in another report we are told that "the payment of the tax on personality is almost as voluntary and is considered in pretty much the same light as donations to the neighborhood church or Sunday-school."

A Previous California Report.

In 1899 a special committee of the state senate was appointed "to investigate the subject of state, county, and municipal taxation." The committee was composed of Senator, now Congressman S. C. Smith of Kern county, Senator E. K. Taylor of Alameda county, and Senator J. C. Sims of Sonoma county. This committee rendered a report in 1901. It said: "From Maine to Texas and from Florida to California there is but one opinion as to the workings of the present system of taxation. That is, that it is inequitable, unfair, and positively unjust." It recommended the adoption of "occupation taxes," or taxes on business to supplement the property tax. No action was taken by the legislature in response to this report.

The farmers are the worst sufferers. The master of the State Grange of Ohio, in an address before the above mentioned National Tax Association, said:

For two generations the farmers of the United States have in large majority cherished the belief that a uniform rate upon all property at its true value in money was the highest conception of fairness and justice between man and man. It sounds fair, but experience and all history prove that its fairness begins and ends in sound. For it to be entirely fair, one must go back to a period when all property was visible and equally productive. So soon as property became diversified, yielding different incomes, giving rise to intangible property, the general property tax became unsound from an economic standpoint and unjust as between individuals. When this system of taxation was embedded in the constitution of Ohio and the older states, it had less to condemn it, as the proportion of visible property was much greater. It was not a correct principle, however, then, and it is entirely false now.

The farmer more nearly than any class of taxpayers has his property invested in things visible, in stock, herds, implements, land and improvements.

The farmers of our own state have spoken in no uncertain tones.

The State Grange, after many years of discussion, appointed a permanent committee on taxation in 1903. This committee has rendered several reports advocating the general line of reform embodied in the amendment. At the annual meeting held at San Jose, October, 1907, the following resolutions were passed:

Resolved by the State Grange, P. of H. of California. That we, after a careful consideration of the same by our Committee on Taxation and by this State Grange, hereby express our approval of the proposed revenue law, and of the proposed constitutional amendment, essential to its enactment; and we recommend the approval thereof by the people of this state and the further necessary enactment into our state and county revenue system of it by the legislature at its next session.

Resolved, The Executive Committee of this State Grange, P. of H., send a copy

of this report and resolutions to Governor Gillett and request him, on behalf of the Patrons of Husbandry, the agriculturalists and the land owners of California, to give his approval and support to the adoption of the proposed revenue system for this state."

In the course of the discussion of the amendment voted on in 1908 the city assessor of Los Angeles county sneered at the tax reform plan "as fine for the cow counties." The *Pacific Rural Press* took up the challenge and, while lamenting the interjection of a class issue into the discussion of a problem that should be considered solely from the point of view of justice to all, said:

We rather regret this appeal to farmers as a class to do what is industrially good for them, because enlightened farmers are the last of all people to make class issues. They may be charged with them on the basis of some things which are being done now and then in the name of agriculture, but when you come to consider them as a whole, farmers are the first of all the nation to forget class claims and to merge their own interests in patriotism, philanthropy and humanitarianism.
* * * We are rather ashamed then to appeal to farmers to support a measure upon the ground that it is good for them as a class, because of the danger of weakening it in their regard. But what else can we do when the effort is boldly made to prejudice the measure and win urban negatives by branding it as a selfish rural issue? What else can we do when, as currently reported, the city assessor of Los Angeles denounces the amendment because it is "fine for the cow counties." Fine for the cow counties, indeed; fine for the orange counties and the lemon counties and walnut counties, also, no doubt. And this shortsighted official forgot, of course, how much rural property is owned by the residents of Los Angeles, and how they have been unjustly taxed for it.

This issue, then, of the rural benefits of the amendment is not of our making, but we are righteously inflamed by it, as other ruralists should be. Where would any great city in California be but for its environment of agricultural property? Who would have carried millions into Los Angeles if the citrus lands of its own county and of adjacent counties, if the orange had not stood forth as the exponent of health and gold in southern California, or if the oil had not flowed from wells in rural fields and canyons? If, however, some city men are to impeach this amendment and secure urban votes against it by the reflection that it is a class measure, we must fight the issue with the same fire in the veins of the rural population. Let our farmers understand, then, clearly that it is good for farm property. The Commission on Revenue and Taxation shows clearly by its recent publications that the reform would have reduced the state tax this year on rural properties over 18 cents per \$100 assessed valuation—that is, under the amendment, owners of rural property would pay 22 cents instead of 40 cents, as they will this year. But the state tax this year is the lowest but one in the whole history of the state. For the last ten years it has averaged 49½ cents, and the reduction from such a tax would be nearly 28 cents. Surely it is "fine for the cow counties." We accept it that way, if the issue is made on that ground.

* * * * *

Now, why does it come out that way? It does not mean, of course, that the state will have less money to support its desirable and progressive institutions. The farmer would not for a moment accept a measure which would injure the name of his state nor make it an inferior home for his children, nor would a statesmanlike commission think of such a proposition. There will be no less money for public purposes, but the farmer will only pay his just share toward such purposes. Here, again, perhaps we can claim that the issue is a rural one, because it has long been a rural conviction and complaint that property not so easily seen and measured as the farmers' acres, improvements and live stock was escaping its share of public burdens; that people who were pulling down fine plums of fortune were paying relatively less taxes than he, and that if all productive property paid its share, his share would be less. He has always believed that great corporations largely escaped taxation, that very profitable franchises escaped, that millions of productive capital rolled out of sight on the ides of March. And so indeed it was, and is.

Conclusion.

In the event of the adoption of the amendment by the people in the coming election, it devolves upon the legislature to pass the laws necessary to put the new system into effect. Not the least part of the labors of this commission as directed by law has been the preparation of a draft of the laws necessary to that end. We have been engaged upon this steadily since June, 1907, or a period of over two years. We have examined the statutes of other states bearing upon a similar method of taxation. We have read all the court decisions upon these laws. We have in gathering data become familiar with every difficulty that will confront the assessing boards or officials in the administration of the new tax system. We have succeeded in outlining in the law the methods by which each of these difficulties can be met. These laws will be ready for submission to the legislature when it convenes next January.

COUNTY TABLES.



SECTION VI.

COUNTY TABLES.

ALAMEDA COUNTY.

Tax rate: Inside, \$1.16; outside, \$1.56.

Total assessment roll -----	\$210,512,357 00
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Deduct assessment of:	
Railroads, street railways, and car companies..	\$11,625,819 00
Express companies -----	20,400 00
Telegraph and telephone companies-----	1,908,488 00
Light, heat, and power companies-----	1,864,150 00
Banks and insurance companies-----	1,440,900 00
Franchises other than of above-----	10,200 00
	<hr/>
	16,869,957 00
<hr/>	
Balance subject to county and municipal taxation-----	\$193,642,400 00
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State tax on \$193,642,400 at \$.364-----	\$704,858 34
Deduct county and special taxes on \$16,869,957, being property withdrawn from county taxation-----	151,154 81
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Net gain to taxpayers in county-----	\$553,703 53

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909 could have been raised with a total tax rate 28.6 cents per one hundred dollars LOWER than the total tax rate of that year.

ALPINE COUNTY.

Tax rate, 1909: \$2.25.

Total assessment roll -----	\$513,444 00
<hr/>	
Deduct assessment of:	
Railroads, street railways, and car companies..	\$39,485 00
Express companies -----	*
Telegraph and telephone companies-----	500 00
Banks and insurance companies-----	*
Light, heat, and power companies-----	98,560 00
Franchises other than of above-----	*
	<hr/>
	138,545 00
<hr/>	
Balance subject to county and municipal taxation-----	\$374,899 00
<hr/>	
County and special taxes on \$138,545, being property withdrawn from county taxation-----	\$2,612 96
Deduct state tax on \$374,899 at \$.364-----	1,364 63
<hr/>	
Net loss to taxpayers of county-----	\$1,248 33

*None assessed.

AMADOR COUNTY.

Tax rate, 1909: Inside, \$1.52; outside, \$2.00.	
Total assessment roll -----	\$5,545,591 00
Deduct assesment of:	
Railroads, street railways, and car companies..	\$194,160 00
Express companies -----	*
Telegraph and telephone companies-----	11,400 00
Light, heat, and power companies-----	502,155 00
Banks and insurance companies-----	26,600 00
Franchises other than of above-----	*

	734,315 00
Balance subject to county and municipal taxation-----	\$4,811,276 00

State tax saved on \$4,811,276 at \$.364-----	\$17,513 04
Deduct county and special taxes on \$734,315, being property withdrawn from county taxation-----	9,022 57

Net gain to taxpayers in county-----	\$8,490 47

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 17.6 cents per hundred dollars LOWER than the total rate of that year.

BUTTE COUNTY.

Tax rate, 1909: Inside, \$1.65; outside, \$2.05.	
Total assessment roll -----	\$21,891,419 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$2,474,409 00
Express companies -----	1,350 00
Telegraph and telephone companies-----	42,070 00
Light, heat, and power companies-----	1,425,160 00
Banks and insurance companies-----	206,837 00
Franchises other than above-----	500 00

	4,150,326 00
Balance subject to county and municipal taxation-----	\$17,741,093 00

County and special taxes on \$4,150,326, being property withdrawn from county taxation -----	\$73,522 92
Deduct state tax saved on \$17,741,093 at \$.364-----	64,577 58

Net loss to taxpayers in county-----	\$8,945 34
Net loss in terms of tax rate, 5.04 cents.	

NOTE.—In 1905 and in 1908 Butte county would have been a large gainer under the amendment, gaining \$42,271.26, or a lower tax rate of 28 cents in 1905, and \$24,813.81, or a lower tax rate of 14 cents in 1908.

In 1909 the assessed value of property other than that of public service corporations, was *decreased* and that of public service corporations was *increased*, while the rate for county purposes was raised the whole amount of the reduction in the state tax. The result is a small loss in 1909. Considering the low valuation, Butte county can easily raise the same amount of money as before with a tax rate much lower than most other counties, and that on a very low assessed value.

*None assessed.

CALAVERAS COUNTY.

Tax rate, 1909: \$2.15.

Total assessment roll -----	\$6,463,321 00
Deduct assessment of :	
Railroad, street railway, and car companies..	\$694,197 00
Express companies -----	400 00
Telegraph and telephone companies-----	12,620 00
Light, heat, and power companies-----	213,360 00
Banks and insurance companies-----	15,500 00
Franchises other than of above-----	*
	936,077 00
Balance subject to county and municipal taxation-----	\$5,527,244 00
State tax saved on \$5,527,244 at \$.364-----	\$20,119 16
Deduct county and special taxes on \$926,077, being property withdrawn from county taxation-----	10,453 10
Net gain to taxpayers in county -----	\$9,666 06

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 35.5 cents per one hundred dollars LOWER than the total rate of that year.

COLUSA COUNTY.

Tax rate, 1909: Inside, \$1.20; outside, \$1.60.

Total assessment roll -----	\$12,992,538 00
Deduct assessment of :	
Railroads, street railways, and car companies..	\$873,176 00
Express companies -----	*
Telegraph and telephone companies-----	31,388 00
Light, heat, and power companies-----	15,680 00
Banks and insurance companies-----	111,971 00
Franchises other than of above-----	*
	1,032,215 00
Balance subject to county and municipal taxation-----	\$11,960,323 00
State tax saved on \$11,960,323 at \$.364-----	\$43,535 57
Deduct county and special taxes on \$1,032,215, being property withdrawn from county taxation-----	14,879 28
Net gain to taxpayers in county -----	\$28,656 29

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909 could have been raised with a total tax rate 23.9 cents per one hundred dollars LOWER than the total tax rate of that year.

CONTRA COSTA COUNTY.

Tax rate, 1909: Inside, \$1.10; outside, \$1.50.

Total assessment roll -----	\$32,472,408 00
Deduct assessment of :	
Railroads, street railways, and car companies..	\$3,980,668 00
Express companies -----	*
Telegraph and telephone companies-----	175,785 00
Light, heat, and power companies-----	192,900 00
Banks and insurance companies-----	91,447 00
Franchises other than of above-----	83,725 00
	4,524,525 00
Balance subject to county and municipal taxation-----	\$27,947,883 00
State tax saved on \$27,947,883 at \$.364-----	\$101,730 29
Deduct county and special taxes on \$4,524,525, being property withdrawn from county taxation -----	61,288 42
Net gain to taxpayers in county -----	\$40,441 87

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 14.4 cents per one hundred dollars LOWER than the total tax rate of that year.

*None assessed.

DEL NORTE COUNTY.

TAX RATE, 1909: Inside, \$1.25; outside, \$1.50.

Total assessment roll -----	\$3,957,135 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	
Express companies -----	
Light, heat, and power companies-----	
Telegraph and telephone companies-----	
Franchises other than of above-----	
	2,153 00
Balance subject to county and municipal taxation-----	\$3,954,982 00
State tax saved on \$3,954,982 at \$.364-----	\$14,396 13
County and special taxes on \$2,153, being property withdrawn from county taxation -----	27 68
Net gain to taxpayers in county-----	\$14,368 45

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 36.3 cents per one hundred dollars LOWER than the total rate of that year.

EL DORADO COUNTY.

TAX RATE, 1909: Inside, \$1.60; outside, \$2.00.

Total assessment roll -----	\$5,758,516 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$727,512 00
Express companies -----	175 00
Telegraph and telephone companies-----	10,060 00
Light, heat, and power companies-----	82,545 00
Banks and insurance companies-----	11,850 00
Franchises other than of above-----	*
	832,142 00
Balance subject to county and municipal taxation-----	\$4,926,374 00
State tax saved on \$4,926,374 at \$.364-----	\$17,932 00
County and special taxes on \$832,142, being property withdrawn from county taxation -----	13,613 84
Net gain to taxpayers in county-----	\$4,318 16

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 8.7 cents per one hundred dollars LOWER than the total rate of that year.

FRESNO COUNTY.

TAX RATE, 1909: Inside, \$1.18; outside, \$1.56.

Total assessment roll-----	\$63,809,821 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$8,740,935 00
Express companies -----	4,770 00
Telegraph and telephone companies-----	189,331 00
Light, heat, and power companies-----	230,443 00
Banks and insurance companies-----	67,682 00
Franchises other than above-----	91,825 00
	9,324,986 00
Balance subject to county and municipal taxation-----	\$54,484,835 00
State tax saved on \$54,484,835 at \$.364-----	\$198,324 80
Deduct county and special taxes on \$9,324,986, being property withdrawn from county taxation -----	133,793 90
Net gain to taxpayers in county-----	\$64,530 90

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 10.8 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

GLENN COUNTY.

Tax rate, 1909: Inside, \$1.95; outside, \$2.35.

Total assessment roll-----	\$12,668,965 00
Deduct assessment of:	
Railroads, street railways, and car companies-----	\$1,410,990 00
Express companies -----	*
Telegraph and telephone companies-----	31,810 00
Light, heat, and power companies-----	49,980 00
Banks and insurance companies-----	67,495 00
Franchises other than of above-----	4,500 00
	1,564,775 00
Balance subject to county and municipal taxation-----	\$11,104,190 00
State tax saved on \$11,104,190 at \$.364-----	\$40,419 25
Deduct county and special taxes on \$1,564,775, being property withdrawn from county taxation-----	32,520 71
Net gain to taxpayers in county-----	\$7,898 54

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 7.1 cents per one hundred dollars LOWER than the total tax rate of that year.

HUMBOLDT COUNTY.

Tax rate, 1909: Inside, \$1.40; outside, \$2.00.

Total assessment roll-----	\$29,350,436 00
Deduct assessment of:	
Railroads, street railways, and car companies-----	\$1,141,215 00
Express companies -----	360 00
Telegraph and telephone companies-----	104,788 00
Light, heat, and power companies-----	158,860 00
Banks and insurance companies-----	422,372 00
Franchises other than of above-----	2,600 00
	1,830,195 00
Balance subject to county and municipal taxation-----	\$27,520,241 00
State tax on \$27,520,241 at \$.364-----	\$100,173 67
Deduct county and special taxes on \$1,830,195, being property withdrawn from county taxation-----	28,402 90
Net gain to taxpayers in county-----	\$71,770 77

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 26.07 cents per one hundred dollars LOWER than the total tax rate of that year.

IMPERIAL COUNTY.

Tax rate, 1909: Inside, \$1.75; outside, \$2.15.

Total assessment roll-----	\$9,521,584 00
Deduct assessment of:	
Railroads, street railways, and car companies-----	\$3,343,764 00
Express companies -----	*
Telegraph and telephone companies-----	24,231 00
Light, heat, and power companies-----	97,430 00
Banks and insurance companies-----	18,725 00
Franchise other than of above-----	25,000 00
	3,509,150 00
Balance subject to county and municipal taxation-----	\$6,012,434 00
County and special taxes on \$3,509,150, being property withdrawn from county taxation-----	\$89,494 47
Deduct state tax on \$6,012,434 at \$.364-----	21,885 25
Net loss to taxpayers of county-----	\$67,609 22

NOTE.—This is a new county and the conditions are very abnormal. The growth of property values in this new county is so rapid that the apparent loss will soon disappear. In 1908 the assessed valuation was \$5,481,341, not including railroads assessed by the state board of equalization. In 1909 it was \$7,168,146, and in 1910, \$9,615,066, or an increase of over \$4,000,000 in three years.

*None assessed.

INYO COUNTY.

Tax rate, 1909: Inside, \$2.00; outside, \$2.30.

Total assessment roll-----	\$4,485,895 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$485,200 00
Express companies	*
Telegraph and telephone companies.....	8,300 00
Light, heat, and power companies.....	201,000 00
Banks and insurance companies.....	54,000 00
Franchises other than of above.....	*
	748,500 00
Balance subject to county and municipal taxation-----	\$3,737,395 00
State tax saved on \$3,737,395 at \$.364-----	\$13,604 12
Deduct county and special taxes on \$748,500, being property withdrawn from county taxation-----	6,650 35
Net gain to taxpayers in county-----	\$6,953 77

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 18.6 cents per one hundred dollars LOWER than the total tax rate of that year.

KERN COUNTY.

Tax rate, 1909: Inside, \$1.05; outside, \$1.35.

Total assessment roll-----	\$44,184,162 00
Deduct assessment of:	
Railroads, street railway, and car companies..	\$8,191,098 00
Express companies	2,394 00
Telegraph and telephone companies.....	180,642 00
Light, heat, and power companies.....	2,754,830 00
Banks and insurance companies.....	55,426 00
Franchises other than of above.....	31,200 00
	11,215,590 00
Balance subject to county and municipal taxation-----	\$32,968,572 00
State tax saved on \$32,968,572 at \$.364-----	\$120,005 60
Deduct county and special taxes on \$11,215,590, being property withdrawn from county taxation-----	117,667 11
Net gain to taxpayers in county-----	\$2,338 49

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate .70 cents per one hundred dollars LOWER than the total rate of that year.

KINGS COUNTY.

Tax rate, 1909: Inside, \$1.15; outside, \$1.55.

Total assessment roll-----	\$13,074,910 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$1,927,316 00
Express companies	*
Telegraph and telephone companies.....	41,074 00
Light, heat, and power companies.....	61,068 00
Banks and insurance companies.....	32,925 00
Franchises other than of above.....	6,078 00
	2,068,461 00
Balance subject to county and municipal taxation-----	\$11,006,449 00
State tax saved on \$11,006,449 at \$.364-----	\$40,063 47
Deduct county and special taxes on \$2,068,461, being property withdrawn from county taxation-----	30,842 80
Net gain to taxpayers in county-----	\$9,220 67

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 8.3 cents per one hundred dollars LOWER than the total tax rate of that year.

*None assessed.

LAKE COUNTY.

'Tax rate, 1909: Inside, \$1.80; outside, \$2.20.

Total assessment roll-----	\$3,624,990 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$650 00
Express companies -----	*
Telegraph and telephone companies-----	2,095 00
Light, heat, and power companies-----	15,725 00
Banks and insurance companies-----	1,090 00
Franchises other than of above-----	700 00
	20,260 00
Balance subject to county and municipal taxation-----	\$3,604,730 00
State tax saved on \$3,604,730 at \$.364-----	\$13,121 21
Deduct county and special taxes on \$20,260, being property withdrawn from county taxation-----	432 41
Net gain to taxpayers in county-----	\$12,688 80

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 35.2 cents per one hundred dollars LOWER than the total rate of that year.

LASSEN COUNTY.

'Tax rate, 1909: Inside, \$1.20; outside, \$1.80.

Total assessment roll-----	\$6,437,333 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$521,192 00
Express companies -----	*
Telegraph and telephone companies-----	2,250 00
Light, heat, and power companies-----	16,800 00
Banks and insurance companies-----	7,110 00
Franchises other than of above-----	*
	547,352 00
Balance subject to county and municipal taxation-----	\$5,889,981 00
State tax saved on \$5,889,981 at \$.364-----	\$21,439 53
Deduct county and special taxes on \$547,352, being property withdrawn from county taxation-----	7,859 98
Net gain to taxpayers in county-----	\$13,579 55

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 23 cents per one hundred dollars LOWER than the total rate of that year.

LOS ANGELES COUNTY.

'Tax rate, 1909: Inside, \$0.90; outside, \$1.45.

Total assessment roll-----	\$593,879,367 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$49,581,029 00
Express companies -----	*
Telegraph and telephone companies-----	7,694,531 00
Light, heat, and power companies-----	21,796,262 00
Banks and insurance companies-----	1,688,447 00
Franchises other than of above-----	13,713,101 00
	94,473,370 00
Balance subject to county and municipal taxation-----	\$499,405,997 00
State tax saved on \$499,405,997, at \$.364-----	\$1,817,837 00
Deduct county and special taxes on \$94,473,370, being property withdrawn from county taxation-----	816,652 00
Net gain to taxpayers in county-----	\$1,001,185 00

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 20.04 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

MADERA COUNTY.

	Tax rate: Inside, \$1.80; outside, \$2.20.	
Total assessment roll.....		\$9,632,927 00
Deduct assessment of:		
Railroads, street railways, and car companies..	\$2,091,590 00	
Express companies	215 00	
Telegraph and telephone companies.....	26,820 00	
Light, heat, and power companies.....	97,585 00	
Banks and insurance companies.....	29,685 00	
Franchises other than of above.....	2,000 00	
		2,247,895 00
Balance subject to county and municipal taxation.....		\$7,385,032 00
County and special taxes on \$2,247,895, being property withdrawn from county taxation.....		\$43,519 65
Deduct state tax on \$7,385,032 at \$.364.....		26,881 51
Net loss to taxpayers of county.....		\$16,638 14
Net loss in terms of tax rate, 22.5 cents.		

NOTE.—In 1905 Madera county would have gained \$4,890, or could have raised the same amount of money with a tax rate 8 cents lower than she had in that year. In 1908 she would have lost \$5,161.67, or had to raise her tax rate 8 cents to raise the same amount of money. The apparent increase in the loss is due mainly to the low state tax rate, but more to the fact that Madera county's assessed valuation is not advancing as fast as the assessed value of the public service corporations. A moderate raise in the assessed valuations would turn this apparent loss into a gain.

MARIN COUNTY.

	Tax rate, 1909: Inside, \$1.16; outside, \$1.55.	
Total assessment roll.....		\$19,353,481 00
Deduct assessment of:		
Railroads, street railways, and car companies..	\$2,135,382 00	
Express companies	2,825 00	
Telegraph and telephone companies.....	51,810 00	
Light, heat, and power companies.....	102,980 00	
Banks and insurance companies.....	37,785 00	
Franchises other than of above.....	*	
		2,330,782 00
Balance subject to county and municipal taxation.....		\$17,022,699 00
State tax saved on \$17,022,699 at \$.364.....		\$61,962 62
Deduct county and special taxes on \$2,330,782, being property withdrawn from county taxation.....		30,402 18
Net gain to taxpayers in county.....		\$31,560 44

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 18.5 cents per one hundred dollars LOWER than the total rate of that year.

MARIPOSA COUNTY.

	Tax rate, 1909: Inside, \$2.50 (one rate only).	
Total assessment roll.....		\$2,462,315 00
Deduct assessment of:		
Railroads, street railways, and car companies..	\$87,955 00	
Express companies	*	
Telegraph and telephone companies.....	4,020 00	
Light, heat, and power companies.....	*	
Banks and insurance companies.....	*	
Franchises other than of above.....	*	
		91,975 00
Balance subject to county and municipal taxation.....		\$2,370,340 00
State tax saved on \$2,370,340 at \$.364.....		\$8,628 04
Deduct county and special taxes on \$91,975, being property withdrawn from county taxation.....		1,964 58
Net gain to taxpayers in county.....		\$6,663 46

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 28.1 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

MENDOCINO COUNTY.

Tax rate, 1909: Inside, \$1.27; outside, \$1.57.

Total assessment roll-----	\$15,536,157 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$1,301,354 00
Express companies -----	*
Telegraph and telephone companies-----	34,171 00
Light, heat, and power companies-----	66,300 00
Banks and insurance companies-----	58,251 00
Franchises other than of above-----	*
	1,460,076 00
Balance subject to county and municipal taxation-----	\$14,076,081 00
State tax saved on \$14,076,081 at \$.364-----	\$51,236 93
Deduct county and special taxes on \$1,460,076, being property withdrawn from county taxation-----	23,293 62
Net gain to taxpayers in county-----	\$27,943 31

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 19.8 cents per one hundred dollars LOWER than the total rate of that year.

MERCED COUNTY.

Tax rate: Inside, \$1.45; outside, \$2.00.

Total assessment roll-----	\$19,686,439 00
Deduct assessment of:	
Railroads, street railways, and car companies-----	\$3,534,110 00
Express companies -----	210 00
Telegraph and telephone companies-----	38,690 00
Light, heat, and power companies-----	46,962 00
Banks and insurance companies-----	69,058 00
Franchises other than of above-----	22,314 00
	3,711,344 00
Balance subject to county and municipal taxation-----	\$15,975,095 00
County and special taxes on \$3,711,344, being property withdrawn from county taxation-----	\$64,945 93
Deduct state tax on \$15,975,095 at \$.364-----	58,149 34
Net loss to taxpayers of county-----	\$6,796 59
Net loss in terms of tax rate, 4.2 cents.	

NOTE.—In 1905 Merced county would have gained \$31,037.98, or could have raised the same amount of money with a tax rate 24 cents lower than she had in that year. In 1908 she would have saved \$6,102.90, or had a tax rate lower by $\frac{1}{4}$ cents. That this is turned into a loss in 1909 is explained by the increase in railroad assessments from \$1,952,091 in 1905 to \$3,432,408 in 1909. The tax rate in Merced is low compared with many other counties. With a normal state tax rate of 50 cents there would be a large gain. A ten per cent raise in the assessed valuation would turn the loss into a gain.

MODOC COUNTY.

Tax rate, 1909: Inside, \$1.40; outside, \$1.70.

Total assessment roll-----	\$5,722,092 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$119,728 00
Express companies -----	*
Telegraph and telephone companies-----	*
Light, heat, and power companies-----	9,500 00
Banks and insurance companies-----	14,150 00
Franchises other than of above-----	*
	143,378 00
Balance subject to county and municipal taxation-----	\$5,557,714 00
State tax saved on \$5,557,714 at \$.364-----	\$20,306 52
Deduct county and special taxes on \$143,378, being property withdrawn from county taxation-----	2,252 53
Net gain to taxpayers in county-----	\$18,053 99

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 32.4 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

MONO COUNTY.

Tax rate, 1909: \$2.00 (one rate only).

Total assessment roll.....	\$1,315,700 00
Deduct assessment of:	
Railroad, street railway, and car companies.....	\$62,015 00
Express companies	*
Telegraph and telephone companies.....	*
Light, heat, and power companies.....	2,790 00
Banks and insurance companies.....	3,500 00
Franchises other than of above.....	*
	68,305 00
Balance subject to county and municipal taxation.....	\$1,247,395 00
State tax saved on \$1,247,395 at \$.364.....	\$4,540 51
Deduct county and special taxes on \$68,305, being property withdrawn from county taxation.....	1,343 20
Net gain to taxpayers in county.....	\$3,197 31

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 25.6 cents per one hundred dollars LOWER than the total rate of that year.

MONTEREY COUNTY.

Tax rate, 1909: Inside, \$1.30; outside, \$1.80.

Total assessment roll.....	\$28,261,983 00
Deduct assessment of:	
Railroads, street railways, and car companies.....	\$3,537,730 00
Express companies	360 00
Telegraph and telephone companies.....	92,982 00
Light, heat, and power companies.....	211,746 00
Banks and insurance companies.....	134,795 00
Franchises other than of above.....	*
	3,977,613 00
Balance subject to county and municipal taxation.....	\$24,284,370 00
State tax saved on \$24,284,370 at \$.364.....	\$88,395 10
Deduct county and special taxes on \$3,977,613, being property withdrawn from county taxation.....	58,200 40
Net gain to taxpayers in county.....	\$30,194 70

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 12.4 cents per one hundred dollars LOWER than the total rate of that year.

NAPA COUNTY.

Tax rate, 1909: Inside, \$1.38; outside, \$1.74.

Total assessment roll.....	\$16,288,008 00
Deduct assessment of:	
Railroads, street railway, and car companies.....	\$1,686,468 00
Express companies	725 00
Telegraph and telephone companies.....	32,980 00
Light, heat, and power companies.....	77,420 00
Banks and insurance companies.....	329,189 00
Franchises other than of above.....	1,000 00
	2,127,782 00
Balance subject to county and municipal taxation.....	\$14,160,226 00
State tax saved on \$14,160,226 at \$.364.....	\$51,543 22
Deduct county and special taxes on \$2,127,782, being property withdrawn from county taxation.....	31,809 03
Net gain to taxpayers in county.....	\$19,734 19

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 13.8 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

NEVADA COUNTY.

Tax rate, 1909: Inside, \$2.00; outside, \$2.50.

Total assessment roll-----	\$8,107,679 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$1,343,329 00
Express companies -----	575 00
Telegraph and telephone companies-----	49,270 00
Light, heat, and power companies-----	225,745 00
Banks and insurance companies-----	49,170 00
Franchises other than of above-----	3,000 00

	1,671,089 00
Balance subject to county and municipal taxation-----	\$6,436,590 00
County and special taxes on \$1,671,089, being property withdrawn from county taxation-----	\$37,468 76
Deduct state tax saved on \$6,436,590 at \$.364-----	23,429 18
Net loss to taxpayers in county-----	\$14,039 58
Net loss in terms of tax rate, 21.8 cents.	

NOTE.—In 1905 Nevada county would have gained \$6,351.99, or could have raised the same amount of money with a tax rate 10.13 cents lower than she had in that year. This was turned into a loss by the increase of railroad valuations by the state board. The assessed valuation of all other property has increased only \$260,000, all of which is represented by the assessment on public service corporations other than the railroads. In other words, the assessed value of property in Nevada county other than that of public service corporations has not been increased in four years. An increase of 25 per cent in the assessed valuations would change this loss into a gain.

ORANGE COUNTY.

Tax rate, 1909: Inside, \$0.90; outside, \$1.20.

Total assessment roll-----	\$31,936,637 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$3,647,613 00
Express companies -----	465 00
Telegraph and telephone companies-----	142,693 00
Light, heat, and power companies-----	167,805 00
Banks and insurance companies-----	174,950 00
Franchises other than of above-----	2,850 00

	4,136,376 00
Balance subject to county and municipal taxation-----	\$27,800,261 00
State tax saved on \$27,800,261 at \$.364-----	\$101,192 95
Deduct county and special taxes on \$4,136,376, being property withdrawn from county taxation-----	50,181 39
Net gain to taxpayers in county-----	\$51,011 56

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 18.3 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

PLACER COUNTY.

Tax rate, 1909: Inside, \$1.475; outside, \$1,875.	
Total assessment roll -----	\$12,757,392 00
Deduct assessment of:	
Railroad, street railway, and car companies..	\$4,434,312 00
Express companies -----	2,795 00
Telegraph and telephone companies-----	46,880 00
Light, heat, and power companies-----	91,955 00
Banks and insurance companies-----	53,475 00
Franchises other than of above-----	4,000 00
	4,633,417 00
Balance subject to county and municipal taxation-----	\$8,123,975 00

County and special taxes on \$4,633,417, being property withdrawn from county taxation-----	\$78,746 21
State tax saved on \$8,123,975 at \$.364-----	29,571 27

Net loss to taxpayers in county-----	\$49,174 94

NOTE.—In list of property is included South Yuba Water Company, assessed at \$234,040, of which is \$4,000 for franchise, which is the only part of that assessment lost by the county, as water companies are not to be taxed by the state, and if any portion of this assessment includes power plants, the same are not segregated so that the gain or loss thereon can be computed.

It is provided in the amendment that until the year 1918 the state shall reimburse Placer county for the net loss in county revenue occasioned by the withdrawal of railroad property for county taxation, so that during the next eight years Placer county can adjust herself to new conditions.

In 1909 Placer county had an assessed valuation of \$8,123,975, exclusive of property to be taxed for state purposes, and the rate required to produce all the revenue necessary to support the government will be then lower than is paid in many other counties.

PLUMAS COUNTY.

Tax rate, 1909: Inside, \$2.00 (one rate only).	
Total assessment roll -----	\$5,645,747 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$291,955 00
Express companies -----	*
Telegraph and telephone companies-----	6,519 00
Light, heat, and power companies-----	110,930 00
Banks and insurance companies-----	24,014 00
Franchises other than of above-----	*
	433,418 00
Balance subject to county and municipal taxation-----	\$5,212,329 00

State tax saved on \$5,212,329 at \$.364-----	\$18,972 87
Deduct county and special taxes on \$433,418, being property withdrawn from county taxation -----	7,515 90

Net gain to taxpayers in county-----	\$11,456 97

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 21.9 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

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RIVERSIDE COUNTY.

Tax rate, 1909: Inside, \$1.15; outside, \$1.75.

Total assessment roll		\$30,669,885 00
Deduct assessment of:		
Railroads, street railways, and car companies	\$5,549,776 00	
Express companies	462 00	
Telegraph and telephone companies	226,723 00	
Light, heat, and power companies	170,310 00	
Banks and insurance companies	120,940 00	
Franchises other than of above	*	
		6,068,211 00
Balance subject to county and municipal taxation		\$24,601,674 00
County and special taxes on \$6,068,211, being property withdrawn from county taxation		\$93,154 95
Deduct state tax saved on \$24,601,674 at \$.364		89,550 09
Net loss to taxpayers in county		\$3,604 86
Net loss in terms of tax rate, 0.14 cents.		

NOTE.—In 1905 Riverside county would have gained \$13,747.57, or could have raised the same amount of money for county purposes, with a tax rate 10.82 cents lower than she had in that year. This became a slight loss in 1908 and 1909, owing, primarily, to the reduction in the state tax rate and the raise made in the valuations of the railroads. Riverside county has a much lower tax rate than other counties, so that the apparent loss is insignificant.

SACRAMENTO COUNTY.

Tax rate, 1909: Inside, \$2.00; outside, \$1.92.

Total assessment roll		\$58,298,532 00
Deduct assessment of:		
Railroad, street railway, and car companies	\$4,576,322 00	
Express companies	46,500 00	
Telegraph and telephone companies	309,810 00	
Light, heat, and power companies	1,133,650 00	
Banks and insurance companies	1,055,260 00	
Franchises other than above	7,750 00	
		7,128,792 00
Balance subject to county and municipal taxation		\$51,169,740 00
State tax saved on \$51,169,740 at \$.364		\$186,257 85
Deduct county and special taxes on \$7,128,792, being property withdrawn from county taxation		117,623 11
Net gain to taxpayers in county		\$68,634 74

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 13.4 cents per one hundred dollars LOWER than the total rate of that year.

SAN BENITO COUNTY.

Tax rate, 1909: Inside, \$1.62; outside, \$1.95.

Total assessment roll		\$7,255,145 00
Deduct assessment of:		
Railroads, street railways, and car companies	\$488,850 00	
Express companies	200 00	
Telegraph and telephone companies	22,095 00	
Light, heat, and power companies	15,335 00	
Banks and insurance companies	110,010 00	
Franchises other than of above	1,100 00	
		637,590 00
Balance subject to county and municipal taxation		\$6,617,555 00
State tax saved on \$6,617,555 at \$.364		\$24,087 90
Deduct county and special taxes on \$637,590, being property withdrawn from county taxation		10,013 20
Net gain to taxpayers in county		\$14,074 20

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 19.7 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

SAN BERNARDINO COUNTY.

Tax rate, 1909: Inside, \$1.15; outside, \$1.50.

Total assessment roll		\$45,379,872 00
Deduct assessment of:		
Railroad, street railways, and car companies	\$14,788,167 00	
Express companies	1,253 00	
Telegraph and telephone companies	230,184 00	
Light, heat, and power companies	1,070,423 00	
Banks and insurance companies	166,512 00	
Franchises other than of above	*	
		16,256,539 00
Balance subject to county and municipal taxation		\$29,123,333 00
County and special taxes on \$16,256,539, being property withdrawn from county taxation		\$237,458 38
State tax saved on \$29,123,333 at \$.364		106,008 93
Net loss to taxpayers in county		\$131,449 45
Net loss in terms of tax rate, 45.1 cents.		

NOTE.—San Bernardino county has always been in the loser column under the amendment. This is due to the enormous stretches of railroads in the county. *But the amendment provides that this county shall be reimbursed for the losses in railroad taxes until 1918, by which time she will have readjusted her finances to the new conditions. That she is doing so is seen by the increase in property valuations, other than railroads, from \$20,636,665 in 1908 to \$36,967,730 in 1910. With compensation by the state this county will not lose.*

SAN DIEGO COUNTY.

Tax rate, 1909: Inside, \$1.40; outside, \$2.00.

Total assessment roll		\$37,481,203 00
Deduct assessment of:		
Railroads, street railways, and car companies	\$3,066,549 00	
Express companies	1,170 00	
Telegraph and telephone companies	186,229 00	
Light, heat, and power companies	241,223 00	
Banks and insurance companies	73,178 00	
Franchises other than of above	*	
		3,568,349 00
Balance subject to county and municipal taxation		\$33,912,854 00
State tax saved on \$33,912,854 at \$.364		\$123,442 78
Deduct county and special taxes on \$3,568,349, being property withdrawn from county taxation		66,951 51
Net gain to taxpayers in county		\$56,491 27

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 16.6 cents per one hundred dollars LOWER than the total rate of that year.

SAN FRANCISCO COUNTY.

Tax rate: \$1.964.

Total assessment roll		\$539,487,347 00
Deduct assessment of:		
Railroads, street railways, and car companies	\$24,979,815 00	
Express companies	186,238 00	
Telegraph and telephone companies	5,430,876 00	
Light, heat, and power companies	11,040,961 00	
Banks and insurance companies	16,743,001 00	
Franchises other than of above	4,380,782 00	
		62,761,673 00
Balance subject to county and municipal taxation		\$476,725,674 00
State tax saved on \$476,725,674 at \$.364		\$1,735,281 43
Deduct county and special taxes on \$62,761,673, being property withdrawn from county taxation		1,004,185 76
Net gain to taxpayers in county		\$731,094 67

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 15.3 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

SAN JOAQUIN COUNTY.

Tax rate, 1909: Inside, \$1.20; outside, \$1.576.

Total assessment roll -----	\$50,592,150 00
Deduct assessment of:	
Railroads, street railway, and car companies..	\$6,072,088 00
Express companies -----	5,594 00
Telegraph and telephone companies-----	190,960 00
Light, heat, and power companies-----	900,482 00
Banks and insurance companies-----	770,775 00
Franchises other than of above-----	*
	7,939,899 00
Balance subject to county and municipal taxation-----	\$42,652,251 00
State tax saved on \$42,652,251 at \$.364-----	\$155,254 19
Deduct county and special taxes on \$7,939,899, being property withdrawn from county taxation-----	98,183 32
Net gain to taxpayers in county-----	\$57,070 87

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 16.3 cents per one hundred dollars LOWER than the total rate of that year.

SAN LUIS OBISPO COUNTY.

Tax rate, 1909: Inside, \$1.45; outside, \$2.00.

Total assessment roll-----	\$17,167,465 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$2,161,222 00
Express companies -----	1,020 00
Telegraph and telephone companies-----	55,378 00
Light, heat, and power companies-----	92,335 00
Banks and insurance companies-----	117,466 00
Franchises other than of above-----	4,000 00
	2,431,421 00
Balance subject to county and municipal taxation-----	\$14,736,044 00
State tax saved on \$14,736,044 at \$.364-----	\$53,639 20
Deduct county and special taxes on \$2,431,421, being property withdrawn from county taxation-----	43,625 02
Net gain to taxpayers in county-----	\$10,014 18

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 6.7 cents per one hundred dollars LOWER than the total tax rate of that year.

SAN MATEO COUNTY.

Tax rate, 1909: Inside, \$1.15; outside, \$1.65.

Total assessment roll-----	\$27,075,129 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$1,099,674 00
Express companies -----	3,500 00
Telegraph and telephone companies-----	53,575 00
Light, heat, and power companies-----	317,075 00
Banks and insurance companies-----	28,400 00
Franchises other than of above-----	12,000 00
	1,514,224 00
Balance subject to county and municipal taxation-----	\$25,560,905 00
State tax saved on \$25,560,905 at \$.364-----	\$93,041 69
Deduct county and special taxes on \$1,514,224, property withdrawn from county taxation-----	21,397 41
Net gain to taxpayers in county-----	\$71,644 28

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 28.02 cents per one hundred dollars LOWER than the total rate of that year.

SANTA BARBARA COUNTY.

Tax rate, 1909: Inside, \$1.40; outside, \$1.75.	
Total assessment roll.....	\$32,108,358 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$3,403,535 00
Express companies	3,750 00
Telegraph and telephone companies.....	221,999 00
Light, heat, and power companies.....	243,241 00
Banks and insurance companies.....	163,802 00
Franchises other than of above.....	21,250 00
	4,057,577 00
Balance subject to county and municipal taxation.....	\$28,050,781 00
State tax saved on \$28,050,781 at \$.364.....	
Deduct county and special taxes on \$4,057,577, being property withdrawn from county taxation.....	\$102,104 84
Net gain to taxpayers in county.....	63,287 62
	\$38,817 22

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 13.8 cents per one hundred dollars LOWER than the total rate of that year.

SANTA CLARA COUNTY.

Tax rate, 1909: Inside, \$1.20; outside, \$1.60.	
Total assessment roll.....	\$72,002,490 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$3,345,732 00
Express companies	1,650 00
Telegraph and telephone companies.....	160,280 00
Light, heat, and power companies.....	324,164 00
Banks and insurance companies.....	158,678 00
Franchises other than of above.....	*
	3,990,504 00
Balance subject to county and municipal taxation.....	\$68,011,986 00
State tax saved on \$68,011,986 at \$.364.....	\$247,563 62
Deduct county and special taxes on \$3,990,504, being property withdrawn from county taxation.....	52,590 03
Net gain to taxpayers in county.....	\$194,973 59

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 28.6 cents per one hundred dollars LOWER than the total tax rate of that year.

SANTA CRUZ COUNTY.

Tax rate: Inside, \$1.30; outside, \$1.90.	
Total assessment roll.....	\$19,739,021 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$1,292,083 00
Express companies	1,023 00
Telegraph and telephone companies.....	57,683 00
Light, heat, and power companies.....	206,234 00
Banks and insurance companies.....	117,838 00
Franchises other than of above.....	575 00
	1,675,436 00
Balance subject to county and municipal taxation.....	\$18,063,585 00
State tax on \$18,063,585 at \$.364.....	\$65,751 44
Deduct county and special taxes on \$1,675,436, being property withdrawn from county taxation.....	27,021 65
Net gain to taxpayers of county.....	\$38,729 79

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 21.4 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

SHASTA COUNTY.

Tax rate, 1909: Inside, \$1.50; outside, \$1.90.

Total assessment roll-----	\$15,906,362 00
Deduct assessment of:	
Railroad, street railways, and car companies-----	\$3,052,347 00
Express companies-----	860 00
Telegraph and telephone companies-----	46,924 00
Light heat, and power companies-----	456,725 00
Banks and insurance companies-----	46,625 00
Franchises other than of above-----	1,250 00
	3,604,731 00
Balance subject to county and municipal taxation-----	\$12,301,631 00
County and special taxes on \$3,604,731, being property withdrawn from county taxation-----	\$61,190 81
State tax saved on \$12,301,631 at \$.364-----	44,777 93
Net loss to taxpayers in county-----	\$16,412 88
Net loss in terms of tax rate, 13.3 cents.	

NOTE.—In 1905 Shasta county would have gained \$13,464.21, or could have raised the same amount of money for county purposes, with a tax rate 13.76 cents lower than she had in that year, but owing to the increase in railroad valuations this was turned into a slight loss in 1909. One reason for this is that the assessed valuation of property other than that of public service corporations has stood practically still. Another reason is the low state tax rate. A 25 per cent increase on the assessed valuation would turn this loss into a gain. A state tax rate of 50 cents, the average rate, would have the same effect.

SIERRA COUNTY.

Tax rate, 1909: Inside, \$1.75; outside, \$2.25.

Total assessment roll-----	\$2,357,456 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$220,432 00
Express companies-----	*
Telegraph and telephone companies-----	4,930 00
Light, heat, and power companies-----	*
Banks and insurance companies-----	400 00
Franchises other than above-----	*
	225,762 00
Balance subject to county and municipal taxation-----	\$2,131,694 00
State tax saved on \$2,131,694 at \$.364-----	\$7,759 36
County and special taxes on \$225,762, being property withdrawn from county taxation-----	4,257 87
Net gain to taxpayers in county-----	\$3,501 49

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 16.4 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

SISKIYOU COUNTY.

TAX RATE, 1909: Inside, \$1.35; outside, \$1.75.

Total assessment roll-----	\$18,412,339 00
Deduct assessment of:	
Railroad, street railways, and car companies... \$4,588,763 00	
Express companies ----- *	
Telegraph and telephone companies..... 50,679 00	
Light, heat, and power companies..... 80,840 00	
Banks and insurance companies..... 80,449 00	
Franchises other than of above----- *	
	4,800,731 00
Balance subject to county and municipal taxation-----	\$13,611,608 00
County and special taxes on \$4,800,731, being property withdrawn from county taxation-----	\$73,628 08
Deduct state tax saved on \$13,611,608 at \$.364-----	49,546 25
Net loss to taxpayers in county-----	\$24,081 83
Net loss in terms of tax rate, 17.6 cents.	

NOTE.—In 1905 Siskiyou county would have saved \$1,667.27, or could have raised the same amount of money for county purposes, with a tax rate 2.35 cents lower than she had in that year. In 1908 she would have gained \$6,187.43, or reduced her tax rate 4.66 cents. This is turned into a loss in 1909. This is accounted for by the long stretch of railroads, the valuation of which was raised by the state board of equalization, and by the unusually low state tax rate. A raise of 30 per cent in the assessed valuation would change this loss into a gain, or without that the loss would practically disappear with a normal state tax rate of 50 cents.

SOLANO COUNTY.

TAX RATE, 1909: Inside, \$1.50; outside, \$2.00.

Total assessment roll-----	\$22,032,342 00
Deduct assessment of:	
Railroads, street railways, and car companies... \$1,931,601 00	
Express companies ----- 175 00	
Telegraph and telephone companies..... 70,446 00	
Light, heat, and power companies..... 175,150 00	
Banks and insurance companies..... 92,427 00	
Franchises other than of above----- 10,000 00	
	2,279,799 00
Balance subject to county and municipal taxation-----	\$19,752,543 00
State tax saved on \$19,752,543 at \$.364-----	\$71,899 25
Deduct county and special taxes on \$2,279,799, being property withdrawn from county taxation-----	41,379 97
Net gain to taxpayers in county-----	\$30,519 28

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 15.4 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

SONOMA COUNTY.

Tax rate, 1909: Inside, \$1.40; outside, \$1.80.

Total assessment roll-----	\$36,205,221 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$3,364,516 00
Express companies-----	2,120 00
Telegraph and telephone companies-----	245,300 00
Light, heat, and power companies-----	21,525 00
Banks and insurance companies-----	209,680 00
Franchises other than of above-----	6,200 00
	3,849,341 00
Balance subject to county and municipal taxation-----	\$32,355,880 00

State tax saved on \$32,355,880 at \$.364-----	\$117,775 40
Deduct county and special taxes on \$3,849,341, being property withdrawn from county taxation-----	59,956 59

Net gain to taxpayers in county-----	\$57,818 81
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NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 17.8 cents per one hundred dollars LOWER than the total rate of that year.

STANISLAUS COUNTY.

Tax rate, 1909: Inside, \$1.10; outside, \$1.50.

Total assessment roll-----	\$22,242,512 00
Deduct assessment of:	
Railroad, street railways, and car companies-----	\$3,093,672 00
Express companies-----	575 00
Telegraph and telephone companies-----	71,950 00
Light, heat, and power companies-----	124,411 00
Banks and insurance companies-----	44,207 00
Franchises other than of above-----	7,344 00
	3,342,159 00

Balance subject to county and municipal taxation-----	\$18,900,353 00
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State tax saved on \$18,900,353 at \$.364-----	\$68,797 27
Deduct county and special taxes on \$3,342,159, being property withdrawn from county taxation-----	49,545 96

Net gain to taxpayers in county-----	\$19,251 31
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NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 10.2 cents per one hundred dollars LOWER than the total rate of that year.

SUTTER COUNTY.

Tax rate, 1909: Inside, \$1.30; outside, \$1.70.

Total assessment roll-----	\$7,652,074 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	\$1,201,449 00
Express companies-----	*
Telegraph and telephone companies-----	16,535 00
Light, heat, and power companies-----	70,920 00
Banks and insurance companies-----	1,000 00
Franchises other than of above-----	*
	1,289,904 00

Balance subject to county and municipal taxation-----	\$6,362,170 00
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State tax saved on \$6,362,170 at \$.364-----	\$23,158 29
Deduct county and special taxes on \$1,289,904, being property withdrawn from county taxation-----	15,488 21

Net gain to taxpayers in county-----	\$7,670 08
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NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 12.05 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

TEHAMA COUNTY.

Tax rate, 1909; Inside, \$1.77; outside, \$2.15.	
Total assessment of-----	\$13,410,379 00
Deduct assessment of:	
Railroads, street railways, and car companies-----	\$2,071,319 00
Express companies-----	250 00
Telegraph and telephone companies-----	30,130 00
Light, heat, and power companies-----	75,025 00
Banks and insurance companies-----	46,515 00
Franchises other than of above-----	*
	2,223,239 00
Balance subject to county and municipal taxation-----	\$11,187,140 00
County and special taxes on \$2,223,239, being property withdrawn from county taxation-----	\$43,473 87
Deduct state tax saved on \$11,187,140 at \$.364-----	40,721 18
Net loss to taxpayers in county-----	\$2,752 69

NOTE.—Under the rate of taxation of 1908 Tehama county would have saved \$13,361.88, but as the state rate of taxation was lower in 1909 than in 1907, the county paid that much less to the state on the remaining property, and the increase of railroad taxes the state gave back to the county a correspondingly larger amount of railroad taxes, and these two elements would cause the apparent loss of \$2,752.69 to this county under the 1909 assessment. The state rate in 1905 was 49 cents, and under this plan in that year Tehama county would have saved \$33,553.22. The changing of rates changes the result of gain or loss to each county—the higher the state rate and the lower the county rate the greater is the gain to the county, and reverse the conditions as to rates and the reverse results will follow.

TRINITY COUNTY.

Tax rate, 1909: \$2.25 (one rate only).	
Total assessment roll-----	\$2,881,330 00
Deduct assessment of:	
Railroad, street railway, and car companies-----	*
Express companies-----	*
Telegraph and telephone companies-----	\$1,241 00
Light, heat, and power companies-----	49,853 00
Banks and insurance companies-----	9,209 00
Franchises other than of above-----	100 00
	60,403 00
Balance subject to county and municipal taxation-----	\$2,820,927 00
State tax saved on \$2,820,927 at \$.364-----	\$10,268 17
Deduct county and special taxes on \$60,403, being property withdrawn from county taxation-----	1,189 63
Net gain to taxpayers in county-----	\$9,078 54

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 32.1 cents per one hundred dollars LOWER than the total rate of that year.

TULARE COUNTY.

Tax rate, 1909: Inside, \$1.00; outside, \$1.30.	
Total assessment roll-----	\$41,241,226 00
Deduct assessment of:	
Railroads, street railways, and car companies-----	\$5,620,015 00
Express companies-----	876 00
Telegraph and telephone companies-----	92,484 00
Light, heat, and power companies-----	192,612 00
Banks and insurance companies-----	155,485 00
Franchises other than of above-----	*
	6,061,472 00
Balance subject to county and municipal taxation-----	\$35,179,754 00
State tax saved on \$35,179,754 at \$.364-----	\$128,054 30
Deduct county and special taxes on \$6,061,472, being property withdrawn from county taxation-----	72,766 70
Net gain to taxpayers in county-----	\$55,287 60

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 15.7 cents per one hundred dollars LOWER than the total rate of that year.

*None assessed.

TUOLUMNE COUNTY.

Tax rate: Inside, \$1.35; outside, \$1.90.

Total assessment roll.....	\$8,094,840 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$540,085 00
Express companies	350 00
Telegraph and telephone companies.....	22,150 00
Light, heat, and power companies.....	367,575 00
Banks and insurance companies.....	9,000 00
Franchises other than of above.....	*
	939,160 00
Balance subject to county and municipal taxation.....	\$7,155,680 00

State tax on \$7,155,680 at \$.364.....	\$26,046 67
Deduct county and special taxes on \$939,160, being property withdrawn from county taxation.....	14,058 80
Net gain to taxpayers in county.....	\$11,987 87

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 16.75 cents per one hundred dollars LOWER than the total rate of that year.

VENTURA COUNTY.

Tax rate, 1909: Inside, \$1.05; outside, \$1.40.

Total assessment roll.....	\$24,711,242 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$2,768,628 00
Express companies	*
Telegraph and telephone companies.....	116,702 00
Light, heat, and power companies.....	249,860 00
Banks and insurance companies.....	213,179 00
Franchises other than of above.....	7,400 00
	3,355,769 00
Balance subject to county and municipal taxation.....	\$21,355,473 00

State tax saved on \$21,355,473 at \$.364.....	\$77,733 92
Deduct county and special taxes on \$3,355,769, being property withdrawn from county taxation.....	42,799 96
Net gain to taxpayers in county.....	\$34,933 96

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total rate 16.3 cents per one hundred dollars LOWER than the total rate of that year.

YOLO COUNTY.

Tax rate, 1909: Inside, \$0.95; outside, \$1.35.

Total assessment roll.....	\$21,022,881 00
Deduct assessment of:	
Railroads, street railways, and car companies..	\$2,135,329 00
Express companies	1,575 00
Telegraph and telephone companies.....	61,622 00
Light, heat, and power companies.....	85,875 00
Banks and insurance companies.....	135,715 00
Franchises other than of above.....	*
	2,420,116 00
Balance subject to county and municipal taxation.....	\$18,602,765 00

State tax saved on \$18,602,765 at \$.364.....	\$67,714 06
Deduct county and special taxes on \$2,420,116, being property withdrawn from county taxation.....	26,312 53
Net gain to taxpayers in county.....	\$41,401 53

NOTE.—Under the amendment, there being no state tax, the same amount of money as was raised for local purposes in 1909, could have been raised with a total tax rate 22.2 cents per one hundred dollars LOWER than the total tax rate of that year.

*None assessed.

YUBA COUNTY.

Tax rate, 1909: Inside, \$2.30; outside, \$2.70.

Total assessment roll.....	\$7,378,994 00
Deduct assessment of:	
Railroad, street railway, and car companies.....	\$1,043,179 00
Express companies	790 00
Telegraph and telephone companies.....	41,780 00
Light, heat, and power companies.....	336,650 00
Banks and insurance companies.....	139,850 00
Franchises other than above.....	*
	1,562,249 00
Balance subject to county and municipal taxation.....	\$5,816,745 00
County and special taxes on \$1,562,249, being property withdrawn from county taxation.....	\$36,660 23
Deduct state tax saved on \$5,816,745 at \$.364.....	21,172 95
Net loss to taxpayers in county.....	\$15,487 28
Net loss in terms of tax rate, 26.6 cents.	

NOTE.—Yuba county has always been in the loss column under the amendment. But in a normal year with an average tax rate of 50 cents her losses would be very small. Her assessed valuation on property other than that of public service corporations did not increase from 1908 to 1909. In fact, it decreased a little. A 20 per cent raise in assessed valuations would change this loss into a gain.

Table Showing the Number of Corporations in Each Class of the Corporation License Tax
Computed in December, 1908.

Class..	Number.
Capital stock not over \$10,000.....	1,607
Capital stock over \$10,000 but not over \$20,000.....	795
Capital stock over 20,000 but not over 50,000.....	4,537
Capital stock over 50,000 but not over 100,000.....	3,128
Capital stock over 100,000 but not over 250,000.....	1,905
Capital stock over 250,000 but not over 500,000.....	1,475
Capital stock over 500,000 but not over 2,000,000.....	1,443
Capital stock over 2,000,000 but not over 5,000,000.....	242
Capital stock over 5,000,000.....	143
	15,275

The above table shows proportions only, as not all corporations had at that date made returns. But it is to be assumed that the same proportions hold for all the rest.

*None assessed.

REPORT OF COMMISSION ON REVENUE AND TAXATION.

**TABLE SHOWING HOW, UNDER THE OLD SYSTEM, SAN BERNARDINO COUNTY PROFITS AT THE EXPENSE OF THE REST OF THE STATE.
(PREPARED IN THE OFFICE OF THE STATE CONTROLLER.)**

PREPARED IN THE OFFICE OF THE STATE CONTROLLER.)

Received from State.

Fiscal Year Ending—		Common Schools.		High Schools.		Railroads.		Orphans.		U. S. Forest Reserve.		Totals.					
June 30, 1899	-----	\$58,496 34	-----	\$32,538 60	-----	\$5,068 38	-----	\$6,103 32	-----	104,343 79	-----	\$6,103 32	-----				
June 30, 1900	-----	65,964 80	-----	33,500 00	-----	4,878 91	-----	105,199 41	-----	117,660 27	-----	117,660 27	-----				
June 30, 1901	-----	65,342 35	-----	35,775 04	-----	4,062 02	-----	149,077 58	-----	154,162 97	-----	154,162 97	-----				
June 30, 1902	-----	68,934 32	-----	43,445 12	-----	5,280 83	-----	191,279 18	-----	187,836 69	-----	187,836 69	-----				
June 30, 1903	-----	74,070 32	-----	69,302 72	-----	5,704 04	-----	250,200 67	-----	257,514 45	-----	257,514 45	-----				
June 30, 1904	-----	78,862 38	-----	\$6,516 15	-----	63,845 66	-----	3,988 78	-----	326,504 05	-----	326,504 05	-----				
June 30, 1905	-----	86,550 80	-----	7,906 23	-----	3,708 68	-----	191,279 18	-----	271,322 63	-----	271,322 63	-----				
June 30, 1906	-----	83,568 15	-----	7,618 05	-----	4,131 31	-----	250,200 67	-----	257,514 45	-----	257,514 45	-----				
June 30, 1907	-----	91,174 16	-----	8,138 82	-----	3,978 67	-----	3,978 67	-----	450 18	-----	450 18	-----				
June 30, 1908	-----	96,401 46	-----	10,169 98	-----	176,451 24	-----	4,041 59	-----	326,504 05	-----	326,504 05	-----				
June 30, 1909	-----	97,852 74	-----	10,481 21	-----	213,747 37	-----	4,422 73	-----	2,980 38	-----	2,980 38	-----				
June 30, 1910	-----	104,968 10	-----	11,398 82	-----	149,648 16	-----	-----	-----	-----	-----	-----	-----				
												\$2,240,905 01					
												\$2,240,905 01					
Fiscal Year Ending—		Poll Tax.		Property Tax.		Inherit- ances.		Estates of Deceased Persons.		School Lands.		Whittier.		Feeble- minded.		Total.	
June 30, 1899	-----	\$8,609 50	-----	\$66,039 53	-----	\$41 61	-----	\$1,476 56	-----	\$2,866 78	-----	\$1,146 00	-----	\$78,661 81	-----	\$78,661 81	-----
June 30, 1900	-----	6,509 79	-----	80,342 09	-----	314 92	-----	6,968 82	-----	5,164 47	-----	1,455 80	-----	96,794 67	-----	96,794 67	-----
June 30, 1901	-----	8,437 70	-----	66,484 72	-----	7,034 15	-----	2,530 28	-----	3,196 45	-----	808 95	-----	\$390 00	-----	\$390 00	-----
June 30, 1902	-----	7,051 11	-----	69,570 11	-----	9,051 00	-----	55,399 76	-----	1,492 34	-----	959 25	-----	550 00	-----	85,812 51	-----
June 30, 1903	-----	13,238 45	-----	55,399 76	-----	9,038 30	-----	97,492 34	-----	11,980 85	-----	1,980 84	-----	630 00	-----	69,112 35	-----
June 30, 1904	-----	12,084 25	-----	11,360 85	-----	17,373 20	-----	81,569 72	-----	2,652 54	-----	1,634 85	-----	760 00	-----	111,884 33	-----
June 30, 1905	-----	12,084 25	-----	12,084 25	-----	13,974 85	-----	81,550 66	-----	2,874 51	-----	2,471 91	-----	101,476 80	-----	101,476 80	-----
June 30, 1906	-----	16,807 80	-----	12,021 70	-----	13,238 45	-----	81,658 29	-----	2,714 39	-----	3,279 54	-----	620 00	-----	107,164 80	-----
June 30, 1907	-----	-----	-----	-----	-----	12,084 25	-----	86,633 34	-----	4,775 94	-----	5,360 72	-----	126 87	-----	650 00	-----
June 30, 1908	-----	-----	-----	-----	-----	12,084 25	-----	5,935 61	-----	2,362 10	-----	109 61	-----	830 00	-----	103,196 03	-----
June 30, 1909	-----	-----	-----	-----	-----	12,084 25	-----	222 10	-----	3,047 05	-----	126 87	-----	760 00	-----	118,150 77	-----
June 30, 1910	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	1,213,604 63	-----





